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FT NEWSPAPER of THE YEAR

FINANCIAL TIMES

Europe's Business Newspaper — MONDAY OCTOBER 5 1992 — D8523A

More than 100 feared dead after El Al jet hits flats

Twelve bodies were recovered and more than 100 people were feared dead after an Israeli El Al jumbo cargo jet crashed into two high-rise blocks of flats on the outskirts of Amsterdam. The aircraft reported two of its four engines on fire 10 minutes after taking off from Schiphol airport for Tel Aviv. It crashed four minutes later, six miles from the city centre. Page 2

Ceasefire agreed: Mozambique president Joaquim Chissano and Afonso Dhlakama, leader of the Mozambique National Resistance movement, signed a treaty to end ended the country's 16-year civil war, which has left over 1m people dead. Page 15

Spain's prime minister calls for EC unity

Spanish prime minister Felipe González (left) called on European Community leaders meeting at next week's Birmingham summit to focus on restoring EC political unity rather than becoming bogged down in debate over the Exchange Rate Mechanism. Page 16; Madrid considers interest rate rise, Page 2; Felipe González interview, Page 14; Bonds, Page 20

Trafalgar plans change: Property, construction and engineering group Trafalgar House, under siege from Hongkong Land, is expected to change its accounting policies. The move follows an investigation by the Financial Reporting Review Panel concerning the reclassification of £102.7m ($182.8m) worth of development properties as fixed assets. Page 17

Prison riot leaves 111 dead: At least 111 inmates died in São Paulo in the worst prison violence in Brazilian history. Page 2

Angolan president's victory: The US and other western observers to Angola's peace process tried to defuse tension in the rebel Unita movement as it became clear that President Jose Eduardo dos Santos and the ruling MPLA party had won the war-shattered country's first democratic elections. Page 5

Honour for Sony chief: Britain is to bestow an honorary knighthood on Sony Corp chairman Akio Morita, champion of deeper Anglo-Japanese ties. Page 4

Banks examine Italian debt plan: Bankers have reacted with cautious interest to an Italian government plan to set up a fund to use the proceeds from privatisation to buy back state debt. Page 17

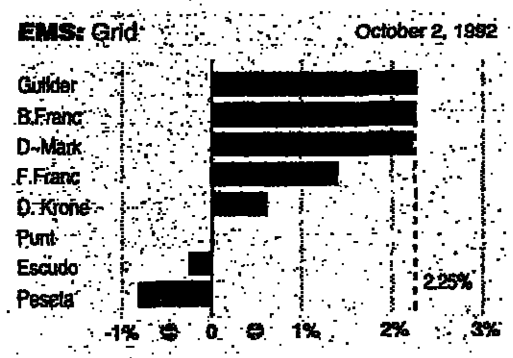
UK companies tell most: British companies disclose more financial information and data on social issues than their overseas competitors, according to a survey of the annual reports of leading quoted companies from nine countries. Swedish companies provide most detail in their operational reviews and Italian ones least. Page 17

Bid for French print plants: Quebecor of Canada, North America's second biggest commercial printer, is negotiating to buy three printing plants in France, including one formerly owned by Maxwell Communication Corporation. Page 18

Looking to China: Sun Hung Kai Properties, Hong Kong property developer, posted a 40 per cent increase in profits to HK$4.68bn (US$631m) in the year to June. The company said it intended that 10 per cent of its business should be generated from works in China. Page 18

European monetary system: The resilient French franc keeps company with the strongest currencies in the European Exchange Rate Mechanism grid. The Bundesbank's decision not to cut its short term rates keeps the bottom four under threat of devaluation. The Spanish peseta ended the week close to its ERM floor against the D-Mark, while the Irish punt touched its floor twice. These currencies, and the Portuguese escudo, have been saved from devaluation only by the re-imposition of capital controls.

EMS: Grid — October 2, 1992



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. The Spanish peseta and Portuguese escudo operate with 6 per cent fluctuation bands.

Riots in Mauritania: Riots broke out in Nouakchott, capital of Mauritania, in protest against sharp price rises and a sudden fall in the value of the ouguiya, the Mauritanian currency.

Cheaper abroad: A Nissan car made in Britain and shipped 10,600 miles to Japan costs £2,840 ($5,055) less in Tokyo than a similar model for sale in the UK. Page 16

Austria	Sch30	Greece	Dr250	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft192	Malta	Lm0.60	S Arabia	SR11
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lv25	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.50	Syria	SyP50.00
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Thailand	Bht50
Finland	FM12	Korea	Won 2500	Philippines	Pso45	Tunisia	Din1.250
France	FFr8.50	Kuwait	Fils 800	Poland	Zl 22,000	Turkey	L6000
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190	UAE	Dh10.00

United against racism: About 10,000 demonstrators in Berlin protested against race discrimination at the weekend on the second anniversary of German reunification. Marchers carried placards urging, 'Hands off the right of asylum'. German president appeals for solidarity, Page 2

Sterling's fate to dominate market

By Terry Byland in London

THE FORTUNES of sterling will this week dominate UK financial markets where confidence that UK base rates can be reduced to 8 per cent by the year-end has been badly shaken by the renewed weakness of the pound.

Predictions from many analysts in London that base rates might be cut by a further point from their present 9 per cent level to coincide with this week's Conservative party conference were effectively withdrawn on Friday afternoon when the pound appeared close to free fall.

The Bundesbank's decision that day to leave German rates unchanged is likely to keep sterling under pressure.

The political tensions awaiting Mr John Major, the UK prime minister, and Mr Norman Lamont, his chancellor, at the conference will also increase uncertainty in a stock market still seeking clarification of the government's economic strategy after sterling's departure from the exchange rate mechanism.

The retail price index for August, due on Friday, is expected to show a continued moderation in inflationary pressures, says Mr Brian Hilliard at stockbroker Strauss Turnbull. Under more settled conditions, this might have renewed hopes of a base-rate cut.

The stock market will also watch for recovery in the US currency which would aid UK dollar-earning export stocks.

Major prepared to defer debate on ERM reform

By Philip Stephens and Alison Smith

MR John Major has signalled he is ready to shelve debate on Britain's demand for reform of the European exchange rate mechanism until after this month's emergency summit in Birmingham.

The UK prime minister's stance, set out in a confidential letter sent to fellow EC leaders, reflects his acceptance of other governments' fears that public discussion of changes might add to the present strains in the mechanism.

The emergence of Mr Major's letter coincided yesterday with a determined campaign by his ministers to prevent this week's UK Conservative conference from degenerating into a civil war over the Maastricht treaty.

In an interview with the FT Mr Norman Fowler, the party chairman, warned opponents of Maastricht in the Tory party that Mr Major and his entire cabinet had decided to "come out fighting" to ensure that it got through the House of Commons. That message will be repeated throughout the week by a succession of cabinet ministers.

But a warning by Mr Kenneth Clarke, the home secretary, that sterling's recent slide could not be allowed to continue indefinitely reinforced fears among nervous Tory MPs that Mr Norman Lamont could be forced to raise interest rates.

Mr Lamont, who is preparing for a crucial speech to the party conference on Thursday, has said he would reverse if necessary the 1 percentage point reduction in borrowing costs which followed sterling's departure from the ERM. But an increase now could undermine fatally his position in the cabinet.

Mr Clarke's views were echoed by Mr Michael Heseltine, the president of the Board of Trade, in a reminder to party activists who gather in Brighton tomorrow that the pound's devaluation will mean tougher controls on public spending.

Mr Heseltine, however, sought to dispel suggestions that the government is already considering raising income tax to reduce a public sector deficit forecast at more than £40bn ($71.2bn) next year. In private, ministers will not rule out an extension of value added tax to areas such as domestic fuel and newspapers, but Mr Heseltine described the option of higher taxes as "the least attractive to a Conservative government".

Mr Major's acknowledgement that there can be no immediate changes in the ERM came in the letter sent out to his European counterparts at the end of last week. In his role as the current EC president, the prime minister had wanted finance ministers to review the working of the ERM at the Birmingham summit on October 16.

But the letter said that he now accepted that several other governments objected to the attendance of finance ministers. Instead the summit would have a general discussion on the recent turbulence on the financial markets based on an interim report by the Community's Monetary Committee.

But most of the leaders' attention will be devoted to drafting a proposed declaration to give substance to the principle of subsidiarity – the decentralisation of decision-making in the EC.

Mr Major believes that there is much greater impetus behind his demand for repair of the "fault-lines" in the ERM than is publicly acknowledged by many governments.

But the prime minister acknowledges that those governments whose currencies have been under speculative attack, including France, cannot afford to admit publicly that the mechanism is fundamentally flawed.

The Birmingham summit is therefore expected to give the go-ahead for a series of low-key technical discussions.

Meanwhile domestic political pressures on Mr Major were highlighted yesterday by two opinion polls on his performance.

The 33 per cent satisfaction rating found by Mori, the polling organisation, for The Sunday Times, and the 34-point satisfaction rating according to Gallup in the Sunday Telegraph are sharply down on Mr Major's previous scores.

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Japanese recovery plan 'not enough on its own'

By Charles Leadbeater in Tokyo

THE emergency public spending package announced by the Japanese government in August will not be enough to stimulate a recovery in Japan's ailing economy, the senior policymaker in the ruling Liberal Democratic Party warned at the weekend.

Mr Yoshiro Mori said the Y10,700bn package would have to be accompanied by other measures to stimulate the economy, which he said was in such a depressed state that the government would have to use public spending as a stimulus for several years.

Mr Mori's commments are the closest LDP leaders have come to admitting that the package was insufficient to generate a recovery. His assessment contradicts a consensus among officials and many Japanese economists that the emergency spending will create a recovery by the middle of next year.

Mr Mori told a weekend seminar of LDP politicians that the government should expand borrowing to finance higher spending as the downturn in the economy will reduce tax revenues.

Debate about Japan's fiscal policy is increasingly likely to extend beyond details of how to finance the emergency package and is set to encompass how higher spending should be paid for.

The Finance Ministry is against borrowing in order to finance a supplementary budget although it is prepared for a limited increase in borrowing through so-called construction bonds which are linked to public investment. However, it is firmly opposed to special deficit financing bonds as it fears this could open the way for politicians to continue to press for higher borrowing even when the economy has recovered.

Higher borrowing during the recession of the mid-1970s led to a marked detrioration in Japan's public finances. Increased bor-

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Dozens hurt in Osaka slum clashes, Page 4

European Parliament moves to control Brussels lobbyists

By Andrew Hill in Brussels

THE European Parliament has taken its first step towards regulating the growing legion of lobbyists which pursue it.

The Parliament's procedural committee adopted a report on Friday which should provide the basis of a new system to control Brussels-based consultants.

The result – after a parliamentary procedure which could take months or even years – will be a register of lobbyists, formally accredited and governed by a code of conduct. A penalty system could be introduced to deter breaches of the code.

MEPs will not escape: under the proposals agreed last week, the current rolling system of declaring interests would be replaced by a formal register for MEPs and their assistants, renewed annually.

The Parliament has still not decided whether it loves or hates lobbyists. Friday's meeting nearly descended into chaos when deputies voted first one way and then the other on whether to expel lobbyists from the committee room.

On the one hand, the existence of an active network of Washington-style lobbyists lends credibility to the deliberations of the parliament and helps inform the legislative process. On the other, consultants stand accused of stealing documents, "buying" client-inspired amendments, or simply harassing MEPs.

Established Brussels consultants describe the Parliament's handling of the issue as "shambolic", but believe the report is a step in the right direction, in that it should clarify their position.

But many questions remain, most notably whether its narrow definition of lobbyists will discriminate against in-house advisers working for companies or charities. They would not have to register, but neither would they receive official accreditation.

With the Maastricht treaty in the balance, there is also one darker question being muttered in lobbyist circles. By the time the code of conduct is a reality, will the European Parliament – which of all EC institutions stands to lose most if the treaty is abandoned – still be worth lobbying?

CONTENTS

Talks to lay groundwork for emergency summit

EC ministers in push to restore trust

By Lionel Barber in Brussels

EUROPEAN foreign ministers will today seek to restore a climate of trust among member states shaken by the Anglo-German rift and turmoil in the money markets.

During two days of talks in Luxembourg, the Twelve will lay the groundwork for the emergency EC summit in Birmingham on October 16. The goal is to reinforce an emerging consensus on early ratification of the Maastricht treaty, to dispel uncertainty about the community's future.

A prime topic on the agenda will be subsidiarity – the codeword for devolving decision-making to member states at national and regional level. Larger states, led by Britain, France and Germany, are at loggerheads with the smaller nations who want to prevent attacks on the powers of the European Commission, their traditional protector.

The Council of Ministers will also deal with pressing trade issues, including prospects for progress on the Gatt multilateral trade talks ahead of meetings with US negotiators scheduled for next weekend.

EC ministers hope to show the rest of the world that the Community has not been paralysed by the political and economic divisions which have surfaced in the wake of last month's lukewarm endorsement of the Maastricht treaty in a French referendum.

The British government, too, is under pressure to deliver results as chairman of the rotating EC presidency. Some member states have been dismayed by divisions on Europe within the ruling Conservative party, while others have expressed private frustration with the high-handedness of some British ministers, notably Mr Norman Lamont, chancellor of the exchequer.

Prime Minster John Major's pledge to seek early ratification of the Maastricht treaty in parliament has reassured Brussels, but questions remain about the UK's policy on Europe following its decision to withdraw from the Exchange Rate Mechanism for an indefinite period.

Mr Douglas Hurd, foreign secretary who will chair today's talks, will lead discussions on the Delors II proposals for the 1993-97 EC budget, including "cohesion" funds for poorer EC member states. An agreement on this funding is required before formal talks on enlargement can begin with Austria, Finland and Sweden.

A lunch with the foreign ministers of Poland, the Czech Federation, Slovakia and Hungary should produce a declaration on closer ties. But it will fall short of offering the timetable for EC accession which the countries would like.

THE DANISH prime minister and a prominent opposition leader have sharply criticised Mr Martin Bangemann, German member of the European Commission, for suggesting at the weekend that the European Community needs a mechanism for expelling member states which do not want to pursue further European integration, writes Hilary Barnes in Copenhagen.

Prime Minister Poul Schlüter said: "I would advise Mr Bangemann to look after his own job and leave the decisions to the 12 member governments." Social Democratic party foreign affairs spokesman Bjorn Westh labelled Mr Bangemann's remarks as "stupid arrogance".

Madrid considers interest rate rise

By Peter Bruce and Andrew Gowers in Madrid

SPAIN may be forced to raise its official interest rate from 13 per cent this week to match demand for higher yields on the public debt it needs to issue to raise by the end of the year about \$17bn (£9.5bn) in new deficit financing.

The Treasury failed to attract buyers at its auction of debt last week, and both the government and the Bank of Spain appear disposed to use an interest rate increase – possibly today – to offset a relaxation of a series of unpopular capital controls it imposed nearly two weeks ago to stabilise the peseta.

It is still possible that Madrid will wait to see whether the bond markets continue to insist on higher yields, but Mr Carlos Solchaga, finance minister, conceded in an interview on Friday that the need to finance Spain's deficits could drive up official interest rates. "We are prepared to accept [an increase] if that is what the market dictates," he said.

Foreign investors reacted to the imposition of exchange controls by staging a massive exodus from the Spanish debt and equity markets. The general index at the Madrid stock market ended last week at its lowest level in six years.

Both Mr Solchaga and Prime Minister Felipe González insisted in interviews last week that the controls were temporary. Other senior officials were suggesting on Friday that they would be relaxed "in a matter of days".

Madrid, though, will not lift the controls completely. It would want any rate rise to be seen as a response to bond market pressure and not an attempt to defend the peseta. If the latter were the case, the Spanish authorities fear being drawn into a speculative spiral similar to the one which forced sterling out of the Exchange Rate Mechanism.

Nevertheless, it might use a "technical" interest rate rise to test market reaction, while holding a minimum of capital controls in reserve in case downward pressure on the peseta continues.

See International Capital Markets

El Al aircraft crashes in Amsterdam

By Ronald van de Krol in Amsterdam and Hugh Carnegy in Jerusalem

AT LEAST 12 people died last night after an El Al cargo aircraft crashed into two nine-storey blocks of flats on the outskirts of Amsterdam.

The crash started fires which were still blazing two and a half hours after the crash and in which dozens more were feared dead. All four aboard the aircraft – three crew and one passenger – were believed killed.

Although airline officials were careful not to commit themselves, early indications suggested mechanical failure led to the accident.

A *spokesman for the Dutch* civil aviation authority said the Israeli airline's Boeing 747 appeared to have exploded on impact with the building and there was no evidence so far that the aircraft had blown up in the air.

However, some eyewitnesses quoted by Dutch television reported seeing an explosion before the crash.

The aircraft, which was en route from New York to Tel Aviv, had just completed a stopover at Amsterdam's Schiphol airport. The crew had reported flames shooting out from two *of its motors about 10 minutes* after take-off and the aircraft was attempting to return to the airport when it went down, hitting the two adjoining blocks, containing 480 flats.

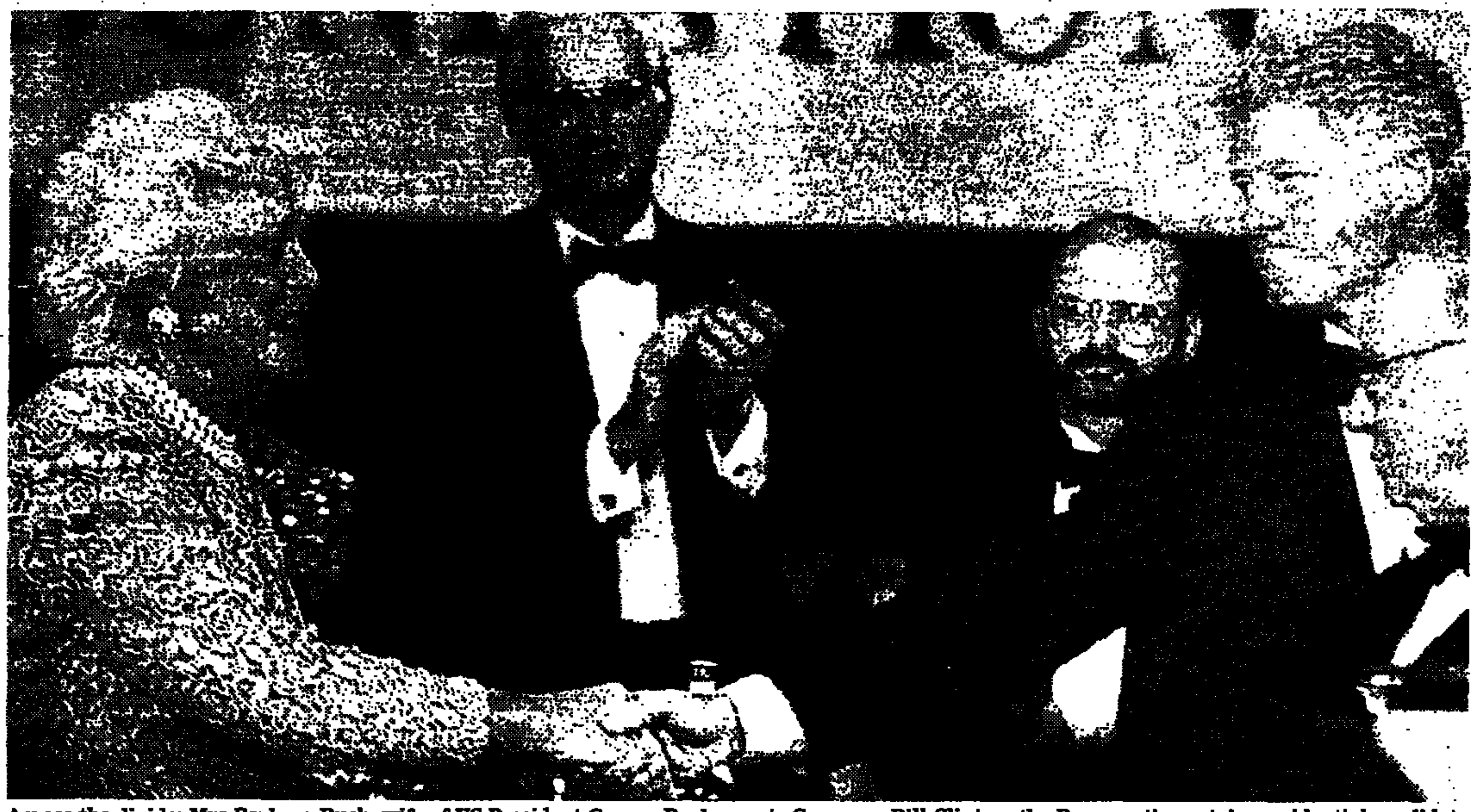
The flats, located in the outlying Amsterdam neighbourhood of Bijlmermeer, were constructed in the 1960s. Firemen were struggling to contain the fire so that a search of the 50 gutted apartments could begin.

Eyewitnesses said the aircraft appeared to have dumped fuel just before it went down on its way back to Schiphol. The civil aviation authority said it received a May Day signal just before the crash.

An investigation into the incident, believed to be the worst civil aviation disaster in the Netherlands, was immediately launched. In Israel, Mr *Rafi Har Lev, chief executive of* El Al, said a team of Israeli investigators would leave immediately for Amsterdam to take part in the inquiry.

Since the surge of hijackings by Arab and other international terrorist groups in the 1970s, El Al has imposed probably the toughest security measures of any airline in the world. It has suffered two mid-air hijackings and several attacks on its aircraft and passengers on the ground in Israel and elsewhere. But the airline has never lost an aircraft, cargo or passenger to sabotage *in mid-air*.

On cargo flights, which carry many of Israel's top exports, freight is subject to strict controls which can result in slower turnaround times than on rival airlines.



Across the divide: Mrs Barbara Bush, wife of US President George Bush, greets Governor Bill Clinton, the Democratic party's presidential candidate, at a dinner hosted by the National Italian-American Foundation in Washington

Regulation turned into a populist cause

Bill on cable television to test Bush's veto powers

By George Graham in Washington

PRESIDENT George Bush's veto power will today face its toughest test when the Senate votes on a motion to override his refusal to sign legislation regulating the cable television industry.

On all 35 previous Bush vetoes, including votes last week on trade with China and abortion counselling, Congress has failed to muster the two-thirds majority needed to override them.

The cable bill, however, won majorities well above the two-thirds mark on its first passage in both the Senate and the House of Representatives. Mr Bush needs to persuade at least nine Republican senators to reverse their earlier votes if he is to prevail.

Cable regulation has turned into a populist cause. Television broadcasters and consumer interest groups have lobbied massively to fan the flames of public hostility to the cable companies, which in many cities have used their monopoly positions to raise fees by three times the rate of inflation.

The cable bill would empower the Federal Communications Commission to set "reasonable" rates for basic cable services, although the few cable operators who face competition in their districts would be exempt.

Mr Bush said in his veto message that it would result in higher, not lower cable costs.

Differences of opinion on the bill do not always run along party lines, although most supporters of the regulation effort are Democrats, and most opponents Republicans.

Mr Bush yesterday called key Republican senators who voted in favour of the bill a fortnight ago to breakfast at the White House, in the hope of persuading them to switch their votes in the interests of party loyalty.

Perhaps assisting him in this effort is the active role of Senator Al Gore, the Democrats' vice-presidential candidate, in pushing for the cable bill. Mr Gore's vote for the bill on September 22 was only the third he has cast in the Senate since Governor Bill Clinton picked him to be his running mate in July.

Mr Gore's use of the cable issue on the presidential campaign trail could help win over Republican waverers like Senator Orrin Hatch of Utah and Senator Thad Cochran of Mississippi.

Free trade treaty wins Clinton's guarded support

By Nancy Dunne in Washington

GOVERNOR Bill Clinton, the Democratic presidential candidate, yesterday endorsed the North American Free Trade Agreement (Nafta) but said it must be toughened up in US legislation, which is needed to implement the pact.

After several days of debate within his campaign, the governor took a middle course. Instead of urging renegotiation over workers' rights and environmental provisions, as his labour allies have urged, Mr Clinton said he believed the pact could be strengthened unilaterally.

He said the treaty should not be seen as a solution to America's economic problems or a threat to its future. It could mean more jobs for American workers and better environmental protection.

"I am convinced I can do it right," he said. "I am deeply convinced that [President George] Bush won't."

His decision not to seek renegotiation will limit the scope of changes to provisions like job retraining. Mr Bush has offered a \$2bn-a-year (£1.1bn) retraining scheme but has not identified the means to fund it. However, the president made a point of accusing his opponent of "waffling" even before the agreement's text was publicly available.

Clinton advisers are understood to have felt it was important to get the Nafta issue out of the way before Wednesday, when Mr Bush is due to sign the pact in San Antonio, Texas. Above all, Mr Clinton's position had to be clear before the three 90-minute debates he is to hold with Mr Bush and Mr Ross Perot on October 11, 15 and 19.

President calls for German solidarity

By Quentin Peel in Bonn

PRESIDENT Richard von Weizsäcker of Germany warned this weekend that the country's democratic structure would be threatened by a failure to revive the east German economy and to cope peacefully with an influx of foreigners.

In a sweeping appeal for national solidarity and understanding, delivered on the second anniversary of German unification, he called on west Germans to forego any real increase in their incomes for the next five years to finance the necessary transfers in spending to the east.

He spoke in Schwerin, capital of the eastern state of Mecklenburg-Vorpommern, at unification celebrations marred by a rash of demonstrations by both left-wing and right-wing extremists. This coincided with scenes broadcast on television of Chancellor Helmut Kohl being jostled by hostile crowds at the same event.

The president's speech amounted to both the most devastating and possibly the most inspiring assessment of the challenges facing the united Germany to be delivered since unification.

He said the level of unemployment in the east could not be allowed to drag on for five years or more. At the same time west Germans could not expect any real increase in their incomes, above the rate of inflation, for at least five years; nor was there any realistic prospect of living standards equalising in that time.

As for the rash of violence against foreigners, he said: "The touchstone of our democratic order is our behaviour towards the influx from abroad. We cannot hope to dry up that flow. We can only attempt to channel it and, step by step, to reduce it."

Yesterday Mr Rudolf Seiters, the interior minister, promised new measures against right-wing extremists, including preventive detention and wider powers of police arrest.

The extremists also prompted Mr Kohl to use his strongest words to date on the issue. At a rally at Sachsenhausen, the former Nazi concentration camp where a Jewish museum was destroyed in an arson attack last week, he said: "There must be no tolerance of intolerance. The law-based state must not be prevented, by some ill-understood idea of liberalism, from showing its teeth to terrorists, whichever side they are on."

Craxi's son bows out of politics

By Haig Simonian in Milan

MR Vittorio "Bobo" Craxi, son of Italy's Socialist party leader, Mr Bettino Craxi, is withdrawing from politics after allegations and setbacks in the wake of the Milan political corruption scandal.

The younger Mr Craxi, a leading member of the Socialist party organisation in Italy's second city, seemed set until recently to follow in his father's footsteps, possibly to the top of the party developed by his father into a linchpin of recent coalition governments.

The Socialists, and the Craxis in particular, have been tainted by the growing revelations of political corruption in big Italian cities.

Though no charges have been brought against Mr "Bobo" Craxi, he has complained of being regularly insulted by strangers and of being taken for guilty when actually innocent.

Meanwhile, the Christian Democrats, Italy's biggest political party, named Mr Mino Martinazzoli as their next leader to replace Mr Arnaldo Forlani.

Brazil prison riot leaves 111 dead

By Christina Lamb in Rio de Janeiro

IN the worst prison violence in Brazilian history at least 111 inmates were killed and 35 injured as police quelled an uprising inside the country's largest prison.

The rebellion at the overcrowded Casa de Detencão in São Paulo was apparently provoked by a clash between rival gangs. Inmates of Pavilion 9, which houses the most dangerous criminals, began attacking each other on Friday evening with clubs, knives and guns. They later barricaded themselves in with furniture and set fire to the block.

As fighting spread prison officers called in the military police. After negotiations failed 300 soldiers stormed the jail and finally retook it after four hours of fighting. Most of the deaths resulted from gunshot wounds, according to officials who released the death toll on Saturday evening. No police officer was killed.

Mr Luis Antonio Fleury, governor of São Paulo, ordered an inquiry into the police action. *Mr Mauricio Correa, the new* justice minister, said the jail system was in a state of collapse – "yet another victim of lack of resources".

● The political parties which led the successful campaign to impeach ex-President Fernando Collor appear headed for victory in Brazil's municipal elections. Preliminary results for Saturday's first-round elections in more than 5,000 municipalities showed a significant shift to the left and a clear rejection of pro-Collor candidates of the Liberal Front (PFL) and National Reconstruction (PRN) parties.

Bank of England is 'not telling full BCCI story'

US SENATOR John Kerry, who is investigating the failed Bank of Credit and Commerce International, stepped up his attacks on the Bank of England yesterday with the claim that it "is not telling the full story" about the bank's collapse, writes David Lascelles.

Last week the Bank denied a charge in Mr Kerry's report that it had colluded in a cover-up of BCCI's fraud with the claim that he had not taken evidence directly from the Bank or its officials.

Mr Kerry said on the BBC yesterday he had approached the Federal Reserve Board for documents which it had from the Bank of England. "The Federal Reserve informed us that under no conditions did the Bank of England want us or anyone else to have access to those documents."

Mr Kerry stood by his assertion that the Bank knew of BCCI's frauds in April 1990, more than a year before it was shut down.

International groups wary of Swiss tunnel project

Domestic companies' apparent advantages are deterring foreign tenders, writes **Ian Rodger**

THE EUROPEAN MARKET

THERE is a tantalising clause in the Alpine transit treaty between Switzerland and the European Community specifying that contracts exceeding Ecu5m (£3.9m) in value for the massive SFr14.9bn (£6.7bn) Swiss alpine tunnel project should be open to international tenders.

Since Swiss voters approved the project in a referendum last week, one might expect *the big European construction* companies to be lining up for applications.

Not so, according to Swiss analysts. The release of tenders is still a long way off, and foreign companies are likely to have difficulty beating the leading Swiss contractors anyway, as the Swiss have long experience of tunnelling and much specialised equipment and personnel in place.

Also, as Crédit Suisse hinted in a recent study, governments can usually find ways to make sure domestic companies do well on big public projects, even when international tenders are used. "The application of Swiss laws on wages, welfare payments and health and *safety at work* should prevent a major share of the pie from disappearing down the the throats of foreign companies," the study says.

According to the government's schedule, boring of the first 50km tunnel through the Gotthard should get under way at the beginning of 1996. In the meantime there are some large planning and design contracts to be let within the next few months by the Swiss Federal Railways, the Gotthard project manager.

Swiss analysts assume a consortium led by Elektrowatt, the Swiss energy and engineering company, will win most of this work; the group designed the Gotthard road tunnel built in *the late 1970s. But Elektrowatt* itself, even though it has already participated in pre-design work, is less confident.

"It is completely open. We will compete hard, but there will be surprises," predicts Mr Max Bruggmann, *director of* Elektrowatt Engineering.

Similarly, for the 30km tunnel through the Lötschberg, the Swiss engineering group Emch & Berger seems well placed, having already done pre-design work for Bern-Lötschberg-Simplon Bahn, the manager of that line.

When it comes to building tunnels, the leading Swiss construction groups, Losinger, Stuag, Zschokke and Züblin, certainly have the experience.

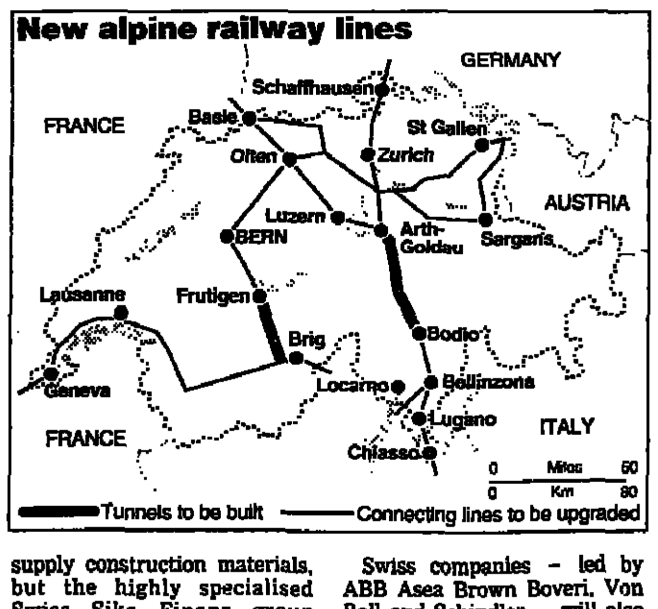
The Swiss expect that some big European groups, such as Philipp Holzmann of Germany and Cogefer and Lodiciani of Italy, will bid.

France's Lafarge Coppée, with its control of Cementia, is *expected to compete strongly* with the Swiss Holderbank to supply construction materials, but the highly specialised Swiss Sika Finanz group *should win the contracts for* tunnel joints.

Swiss companies – led by ABB Asea Brown Boveri, Von Roll and Schindler – will also *be strong competitors for the* estimated SFr1.2bn in locomotive and rolling stock orders, although foreign suppliers, including Siemens, figure strongly in signalling equipment.

Nevertheless, in a project of this size there should be considerable smaller sub-contracts for specialist manufacturers in other European countries. Mr Michael Berger, of the Austrian Trade Commission in Zurich, says his office is planning a symposium on the project for Austrian companies next spring.

Mr Serge Ledermann, of Geneva bankers Lombard Odier, says one consequence of making the *tendering* international is that the fat margins Swiss contractors normally get on their business will be squeezed. And the fact that the work will be spread over 15 years means the impact on profits of any particular company is not likely to be great.



The Financial Times (Europe) Ltd
Published by The Financial Times (Europe) GmbH, Frankfurt Branch, Nibelungenplatz 3, 6000 Frankfurt-am-Main 1: Telephone 49 69 156850; Fax 49 69 5964481; Telex 416193. Represented by E. Hugo, Managing Director. Printer: DVM GmbH-Hürriyet International, 6078 Neu-Isenburg 4. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1992.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: J. Rolley, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Vimmelskaftet 42A, DK-1161 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

'Armed clash' if weapons seized from Russia

Moscow warns Georgia over arms

By John Lloyd in Moscow

THE RUSSIAN defence minister, General Pavel Grachev, has warned the government of Georgia not to fulfil its stated intention to take over all weapons and military equipment of the Russian (formerly Soviet) forces on its territory, or risk "an armed clash with Russian forces".

This follows a warning on Saturday from Russian President Boris Yeltsin to "take corresponding measures to protect the interests of Russian citizens" caught up in the growing conflict in Georgia.

Mr Eduard Shevardnadze, the Georgian leader, had ordered the seizure of Russian arms at the weekend after touring the area of fighting in the northern Georgian autonomous republic of Abkhazia, where local forces took the town of Gagra after heavy fighting last week. Mr Shevardnadze said he would raise an army of 40,000 reservists against the Abkhazian rebels, who engaged the Georgian forces sent to the republic after it declared independence in August.

The conflict is spreading throughout the Caucasus, as the Confederation of Mountain Peoples also vowed to raise a 40,000-strong force to assist Abkhazia in its struggle. The confederation draws its support from the largely Moslem Caucasian autonomous republics on Russia' s southern border with Georgia.

Russian troops are also being drawn into the ever-fiercer civil war in the Central Asian state of Tajikistan, where supporters of ousted President Rakhmon Nabiyev have concentrated in the south of the republic and are battling with supporters of the new, pro-Islamic government of the republic in the regional capital of Kurgan-Tyube.

Reports from the area yesterday pointed to continuing fierce fighting, with refugees streaming out of Kurgan-Tyube towards the Tajik capital of Dushanbe. The Russian detachments in the republic were strengthened last week, and are accused by the anti-Nabiyev forces of supporting the former Communist leader.

Appeals for ceasefires in the regions and for the deployment of peace-keeping forces drawn from the members of the Commonwealth of Independent States (of which Russia and Tajikistan are members, but Georgia is not) have had no effect. A meeting of CIS foreign ministers is scheduled in Moscow today to prepare for the Friday meeting of CIS heads of state, postponed from September 25.

Pakistan warned its nationals against travelling in Tajikistan, following the killing of a Pakistani businessman and threats against others in Dushanbe this month. Pakistanis have been active in trade in the republic over the past year.

The Abkhazian defence headquarters has guaranteed safe conduct out of the republic for those Georgian troops fighting within it, according to the Interfax news agency last night. The agency said, however, that Georgian forces were continuing to reinforce positions in the north of the area.

A woman, with a Jordanian UN soldier, revisits her shattered home in Serb-occupied Croatia, a year after war forced her out.

Bad weather interrupts resumed Sarajevo airlift

Bosnian refugees to be offered shelter in west

By Laura Silber in Karlovac

THE FIRST group of Moslems released from Serb-held detention camps in Bosnia-Hercegovina will be offered sanctuary in the west, mostly in Scandinavia, the United Nations said in the Croatian capital Zagreb yesterday.

In Sarajevo, the resumed aid airlift to the besieged city was interrupted by bad weather. Four US and Canadian aircraft carrying food and radar equipment needed to keep the airport functioning during winter landed yesterday in the city before poor weather forced the suspension of the operation. Five other scheduled flights were cancelled.

Mr Peter Kessler, spokesman for the UN High Commissioner for Refugees in Zagreb, said western countries had pledged to provide sanctuary for most of the 1,600 mainly Moslem men released on Thursday from the Trnopolje camp in northern Bosnia.

These, the most recent arrivals in neighbouring Croatia, which has some 700,000 refugees already, have been given shelter in abandoned army barracks in Karlovac, southwest of Zagreb.

Croatian authorities have allowed the released detainees to remain in Karlovac for two weeks.

Relief organisations at the run-down barracks worry however about visits by Croatian and Bosnian army officers who, despite a ban, are trying to recruit fighters.

Meanwhile, stories of cruelty by Serb forces against Moslems in Bosnia continued to emerge. One man, allowed to speak by international relief organisations on condition his identity was not revealed, yesterday corroborated earlier reports of how Serb forces in August shot some 200 Moslem detainees in a ravine outside Travnik in southern Bosnia. He explained how he had survived by lying for several hours under a dead body.

Other men considered themselves fortunate. Serb forces had released their wives and children in July. Some were in Zagreb. But no one believed Moslems would ever again be able to live with Serbs. They told how neighbours had turned against neighbours.

Serb forces control about two-thirds of Bosnian territory. Some 2m people have been displaced by the six-month war and at least 8,000 are believed to be held in detention camps throughout the republic.

"They burnt down our houses. We were ordered to turn over all our possessions. Money, watches, cars, whatever they could get," said one man, who, like many of the Moslem detainees, was from Kozarac.

"When we left the camp and drove through Kozarac, I did not recognise it," he said. "The Serb forces moved the sign post to pretend it was another place. It is like Vukovar [the devastated city in eastern Croatia which fell to Serb forces last autumn]."

● The UN Protection Force Headquarters in Zagreb yesterday protested to the Croatian government and Ministry of Defence after two UN helicopters came under fire while approaching Zagreb on Friday. The helicopters, on a medical evacuation mission, landed safely at Zagreb airport. The incident followed a similar attack last Monday.

Gorbachev cancels trip after court ban

By John Lloyd

MR Mikhail Gorbachev, the former Soviet president and Communist party leader, has cancelled a scheduled trip to South Korea after the Constitutional Court banned him from leaving Russia.

Mr Gorbachev faces legal action, including possible imprisonment, if he continues to refuse to testify before the court, which is determining whether or not the party he led was "constitutional". Mr Gorbachev said on Saturday that he had become the first Russian political "refusenik", claiming that the the court's demand for him to testify was itself anti-constitutional.

"From a political standpoint," Mr Gorbachev said, "such an action is administrative lawlessness, fraught with the revival of the practice of deprivation of rights for political motives [a reference to the Stalin era]."

The court has heard testimony from a number of former top Communists, including Mr Nikolai Ryzhkov, prime minister during most of Mr Gorbachev's leadership, and Mr Arkady Volsky, a former senior aide to several party leaders and one of the few such officials to have kept a top job, as head of the Union of Industrialists and Entrepreneurs.

Moves to scrap Soviet debt plan

By Chrystia Freeland in Kiev

UKRAINE and Russia announced plans at the weekend to scrap the system of collective responsibility for the foreign debt of the former Soviet Union. But the two Slavic heavyweights advanced conflicting proposals for a new system.

At a meeting in Kiev, Mr Leonid Kravchuk, the Ukrainian president, and Mr Yegor Gaidar, Russia's acting prime minister, agreed that the system, which the former Soviet republic established under intense pressure from western creditors, was flawed.

Under the fierce scrutiny of the Group of Seven (G7) industrialised countries, eight of the former Soviet republics, including Russia and Ukraine, assumed at the end of last year "joint and several" responsibility for the former Soviet Union's $82bn (£46bn) foreign debt. Western creditors, fearing some of the poorer republics might default, pushed for collective assumption of the debt over the objections of independent-minded republics like Ukraine.

The agreement on collective responsibility for the debt could be severely strained by the joint attack from Ukraine and Russia, which have together pledged to pay back 77.47 per cent of the total.

"We have agreed that the old system of joint and several responsibility for the foreign debt of the former Soviet Union is going nowhere and does not work," Mr Gaidar said.

However, Ukraine and Russia differed on alternatives. Ukrainian negotiators said that Russia proposed a "zero option" to Ukraine. The idea was that Russia should assume sole responsibility for the debt with regard to western creditors and, in exchange, be granted exclusive control over the former Soviet Union's foreign assets.

According to this proposal, Ukraine's share of 16.37 per cent of the debt would become Ukrainian debt to Russia. As Kiev paid off the money to Moscow, it would receive a corresponding share of the assets.

Ukrainian officials objected on the grounds that it would give *de jure* status to Russia's *de facto* control over the former Soviet Union's foreign assets. Obtaining a share of these assets has been a central plank of Ukrainian foreign policy for the past year.

Havel insists on a Czech state

By Ariane Genillard in Prague

THE FORMER Czechoslovak president, Mr Vaclav Havel, urged at the weekend that preparations towards an independent Czech state be speeded up, following a Slovak about-face which dashed plans to dissolve the federal state by the end of the year.

Mr Havel was reacting to the initiative of Mr Vladimir Meciar, the Slovak prime minister, who with the Czech opposition parties succeeded on Thursday in having the federal parliament adopt a motion to draw up plans for a new union between the Czech and Slovak republics.

This union would link the two republics under a single president heading a government in charge of economic, defence, foreign, social and environmental policies.

The move contradicts all post-electoral agreements between Mr Meciar and Mr Vaclav Klaus, the Czech prime minister, which aimed to dissolve the federal state legally by January 1.

"I fear this will lead to prolonged uncertainty," Mr Havel said. "The Czech parliament should declare its intention to create an independent Czech state and adopt as soon as possible its own constitution."

Calls for a unilateral secession of the Czech republic from the federal state increased at the weekend among Czech officials angered by the Slovak U-turn. However, such a move could only legally be achieved via a popular referendum. Recent opinion polls show that fewer than half of all Czechs would vote to break up the federal state.

Mr Klaus, who had pushed for a break-up since Slovak nationalists won power in last June's election, is due to meet Mr Meciar tomorrow.

Police seek to bottle up Osaka riots

By Robert Thomson in Osaka

HUNDREDS of riot police patrolled slum streets in Osaka last night after four days of violent clashes with destitute labourers left several dozen people injured and the area strewn with debris and gutted vehicles.

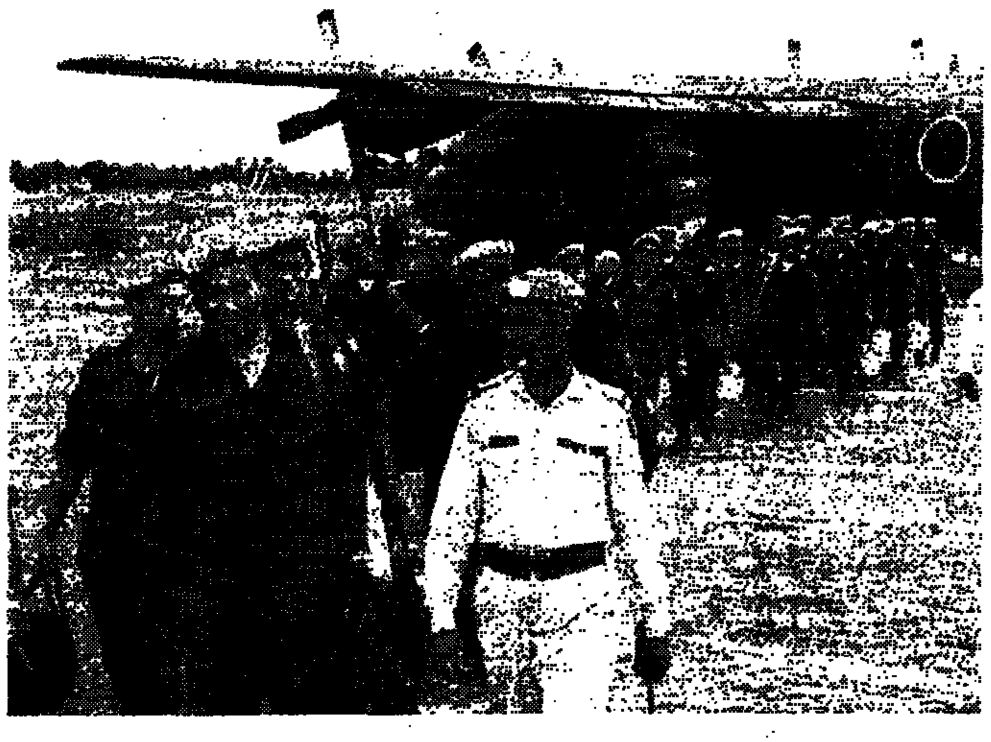
Twelve arrests were made as many of the Airin area's 30,000 day-labourers protested against the suspension of welfare payments by the local government. But the real cause is Japan's economic downturn, which has hit labourers harder than mainstream workers.

At around 5am each morning, the day-labour market opens in a dirty concrete building which has been at the centre of the protests. Job touts with presumed gang links hold up notices offering two or three days' work clearing a building site or filling a job-spot in a small factory.

The crash of Osaka's property market and the slowing of factory orders have left many of the men reliant on hand-outs. A special fund was exhausted last week, inspiring the protests by the destitute, whose desperation is heightened by drink dependence or debts to gang-run loan shops. Last night, hundreds of the workers were sleeping outside the job market, where they were hoping to get work in the day's muster.

Placards around the building demanded government help. Small groups of workers huddled together, discussing tactics, as hundreds of riot police with batons at the ready massed in a nearby police station. The clashes are the most serious since a week of rioting in the same district two years ago left 200 injured.

Police fear the riots will be a feature of the economic downturn, as the labourers' desperation becomes more acute, and that the troubles may be a beacon for extremist groups. One factor fuelling the protests is outrage at a police confession that a local officer had taken bribes from gangsters.



JAPAN'S troop deployment in Cambodia speeded up at the weekend with 160 more soldiers joining the peace mission. This is the first overseas task for Japanese ground forces since Japan's surrender in 1945 and follows the signing into law of its peace-keeping operations bill in June after 20 months' bitter debate. The engineer units and eight military observers join 15,000 soldiers from 30 countries wearing UN blue berets in Cambodia. They will monitor a ceasefire, disarm rival armies and supervise elections next May. The main body of Japanese troops arrives on October 13.

Pressure on LDP over cash for faction chief

By Charles Leadbeater in Tokyo

JAPAN'S political leadership is under increasing pressure to respond to public criticism of Mr Shin Kanemaru, the Liberal Democratic party's most powerful faction chief, who last week was fined Y200,000 (£934) for receiving illegal political donations of Y500m (£2.33m).

Prime Minister Kiichi Miyazawa, who has depended heavily on Mr Kanemaru's behind-the-scenes support, said he deeply regretted his colleague had breached the political control funds law. Mr Kanemaru was fined after he admitted receiving money from a scandal-ridden courier company. Mr Miyazawa's first comments, at a weekend seminar of LDP members, were widely seen as an attempt to respond to party criticism. Mr Miyazawa said he would devote himself to making detailed political reform proposals to the Diet in November.

The LDP leadership has come under pressure for further action and the controversy could trigger a destabilising power struggle within the LDP over the successor to Mr Kanemaru as head of the Takeshita faction, the largest within the LDP.

The opposition parties have unanimously called for Mr Kanemaru to testify to the Diet over the case and some have called for his resignation. Also, more than 70 prefectural and city assemblies have passed resolutions criticising Mr Kanemaru or the Tokyo prosecutors for failing to pursue the case to court.

It is thought Mr Kanemaru made a written confession to avoid a trial which could have further damaged his standing and risked the exposure of allegations that he has had links with Japan's leading crime syndicate. Mr Miyazawa's handling of the issue has been perceived as weak, reflecting his dependence on Mr Kanemaru. This was underlined by an expression of thanks to Mr Kanemaru for his promotion of party unity.

Knighthood for Sony chairman

BRITAIN is to bestow an honorary knighthood on Mr Akio Morita, chairman of Sony Corp and champion of deeper Anglo-Japanese ties, the UK embassy in Tokyo said yesterday, Reuter reports. Mr Morita, 71, who conceived the Sony Walkman, is to be made an Honorary Knight Commander of the British Empire (KBE). He was involved in Sony's decision to set up a TV factory in Bridgend, Wales, in 1973, the first big manufacturing investment by a Japanese group in Britain. Last year, Sony chose Pencoed in mid-Glamorgan to build a factory making colour TV sets and computer display monitors.

INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985 = 100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

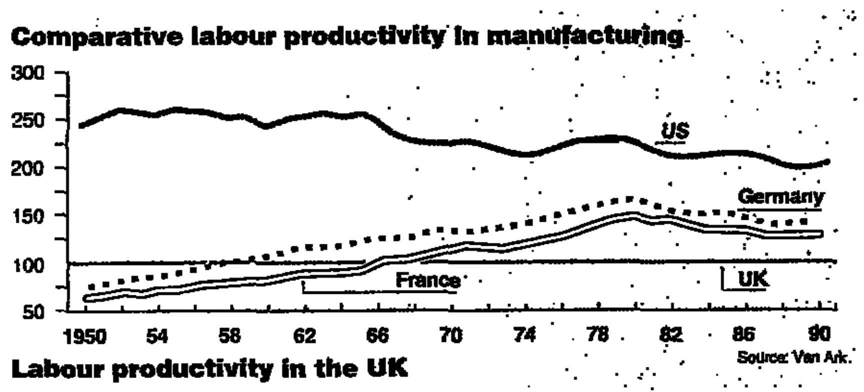
	UNITED STATES					JAPAN				
	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	102.9	100.0	100.0	2.6	100.0	98.6
1986	105.7	101.0	6.9	98.0	108.2	106.5	98.7	2.8	94.3	105.4
1987	108.3	105.9	6.1	105.5	110.0	113.8	103.1	2.9	108.3	115.4
1988	112.3	111.6	5.4	106.1	114.3	122.8	112.9	2.5	135.9	122.9
1989	115.1	114.5	5.2	99.3	113.1	132.8	119.9	2.2	147.0	126.5
1990	115.4	115.7	5.4	84.5	109.1	142.0	125.3	2.1	149.7	124.5
1991	113.5	113.5	6.6	61.9	114.7	145.0	128.1	2.1	144.1	123.4
3rd qtr.1991	−1.5	−2.1	6.7	60.9	112.5	1.0	1.2	2.1	141.6	124.6
4th qtr.1991	−0.5	−0.5	6.9	59.1	114.7	1.9	−1.6	2.1	140.3	123.4
1st qtr.1992	3.3	1.3	7.1	58.9	116.6	−0.8	−4.6	2.0	132.9	123.2
2nd qtr.1992	1.7	2.0	7.4	60.4	116.0		−6.2	2.1	126.0	123.0
September 1991	−1.3	−2.0	6.7	60.9	112.5	−1.2	1.3	2.1	137.3	124.6
October	−0.6	−1.4	6.8	58.4	112.9	1.6	−1.8	2.1	143.5	124.4
November	−1.5	−0.2	6.8	59.1	113.7	4.1	−1.2	2.1	139.0	124.0
December	0.5	0.2	7.0	59.8	114.7	0.0	−1.8	2.1	138.3	123.4
January 1992	5.0	0.0	7.0	56.3	115.8	−0.2	−3.6	2.1	136.1	123.4
February	3.9	1.4	7.2	59.0	116.6	2.4	−4.6	2.0	132.5	123.3
March	1.2	2.5	7.2	61.4	116.6	−4.5	−5.6	2.0	130.2	123.2
April	2.0	2.5	7.1	59.3	116.6	−2.8	−6.0	2.0	129.8	123.0
May	1.7	2.4	7.4	61.3	116.2	−1.0	−8.9	2.1	121.2	122.8
June	1.4	1.1	7.7	60.7	116.0		−3.8	2.1	126.9	123.0
July	1.6	1.0	7.8	59.9	116.0		−6.1	2.2		
August		0.6	7.5	61.2			−7.6			

	GERMANY					FRANCE				
	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	105.0	100.0	100.0	10.2	100.0	102.2
1986	103.4	102.2	6.4	136.4	104.6	102.4	101.1	10.4	107.2	108.9
1987	107.4	102.5	6.2	149.4	105.7	104.5	103.1	10.5	117.6	108.2
1988	110.5	106.2	6.2	164.7	111.8	107.9	107.3	10.0	134.9	113.6
1989	114.1	111.4	5.6	218.9	114.6	109.6	111.3	9.4	161.1	113.4
1990	123.5	117.2	4.9	261.5	115.1	110.1	112.7	9.0	166.0	106.8
1991	130.4	120.8	4.3	270.9	112.0	109.7	113.4	9.6	129.7	107.7
3rd qtr.1991	0.2	1.9	4.4	276.6	112.8	0.0	−0.4	9.7	130.5	108.2
4th qtr.1991	1.1	0.1	4.3	265.0	112.0	0.2	1.7	10.0	124.8	107.7
1st qtr.1992	−2.8	1.3	4.3	279.3	111.8	−1.2	1.2	10.1	120.0	108.6
2nd qtr.1992	−4.5	−1.3	4.5	275.2	110.6	0.2	0.1	10.3	108.5	107.5
September 1991	−0.2	0.7	4.3	272.5	112.8	−2.3	−0.3	9.8	127.6	108.2
October	3.0	0.6	4.4	265.7	112.4	1.4	0.8	9.9	125.0	107.8
November	−0.4	1.7	4.3	262.4	112.0	0.7	1.5	10.0	126.3	107.9
December	0.6	−2.1	4.3	266.5	112.0	−1.5	2.7	10.0	123.3	107.7
January 1992	−1.3	0.2	4.3	272.8	111.8	0.2	0.4	10.1	122.5	108.0
February	−2.1	3.4	4.3	282.6	111.8	3.3	0.5	10.2	119.6	108.4
March	−4.9	0.2	4.4	281.7	111.8	−6.9	2.6	10.1	117.9	108.6
April	−2.3	−0.2	4.5	279.3	111.4	2.6	1.2	10.3	105.5	108.3
May	−4.2	0.3	4.5	275.2	110.9	−0.9	−0.3	10.3	103.4	108.0
June	−6.9	−3.9	4.6	271.1	110.6	−1.3	−0.5	10.3	116.4	107.5
July	−4.3	−2.6		267.1	110.4	−3.7		10.3	112.2	106.6
August		0.5		264.6						

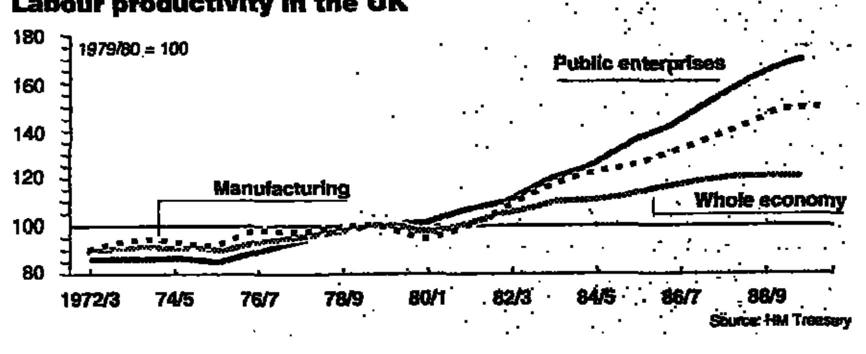
	ITALY				UNITED KINGDOM				
	Retail sales volume	Industrial production	Unemployment rate	Composite leading indicator	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	9.6	104.1	100.0	100.0	11.2	100.0	102.1
1986	108.0	104.1	10.5	110.9	105.2	102.4	11.2	116.1	105.2
1987	113.9	106.8	10.9	112.9	110.7	105.7	10.3	141.2	109.5
1988	109.8	114.2	10.9	117.7	117.7	109.5	8.6	144.3	107.8
1989	118.4	118.7	10.9	115.9	119.8	109.9	7.1	124.7	105.0
1990	115.0	118.0	10.3	112.2	120.4	109.3	6.8	97.9	103.4
1991	114.3	115.4	9.8	115.1	119.5	106.0	8.9	68.7	108.1
3rd qtr.1991	0.9	−3.7	9.6	114.5	−0.5	−2.2	9.4	61.8	108.4
4th qtr.1991	6.3	−0.7	9.9	115.1	0.4	−0.8	9.7	66.3	108.1
1st qtr.1992		−0.3	9.9	114.9	−0.4	−1.3	10.2	73.7	109.1
2nd qtr.1992		−0.4		114.3	1.1	−0.1	10.5	67.7	110.4
September 1991	−2.6	−2.2	n.a.	114.5	−0.7	−1.9	9.5	62.3	108.4
October	6.5	−1.5	n.a.	114.5	−0.1	−1.6	9.6	61.1	108.8
November	7.5	1.1	n.a.	114.6	1.6	−0.6	9.7	64.7	108.5
December	5.0	−1.7	n.a.	115.1	−0.4	−0.3	9.9	73.1	108.1
January 1992		−1.4	n.a.	115.0	0.8	−1.1	10.1	72.1	107.9
February		0.3	n.a.	114.8	1.3	−1.1	10.2	73.5	108.6
March		0.3	n.a.	114.9	−3.2	−1.8	10.2	75.4	109.1
April		0.5	n.a.	115.2	1.1	1.5	10.4	70.7	110.0
May		1.1	n.a.	115.3	1.9	0.5	10.5	67.8	110.7
June		−2.7		114.3	0.4	−2.3	10.5	64.7	110.4
July					−0.6	−1.4	10.6	65.5	109.4
August					1.0			63.2	

All series seasonally adjusted. Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA. **Retail sales volume:** data from national government sources except Japan and Italy (value series deflated by OECD using CPI). Refers to total retail sales except France and Italy (major outlets only) and Japan (department stores only). **Industrial production:** data from national government sources. Includes mining, manufacturing, gas, electricity and water supply industries except Japan (mining and manufacturing only) and UK (also includes construction industries). **Unemployment rate:** OECD standardised rate which adjusts as far as possible for the different definitions of unemployment used in official sources. **Vacancy rate indicator:** relevant vacancy measure divided by total civilian employment, expressed in index form. Derived from OECD series. US – help-wanted advertising, Japan – new vacancies, Germany and France – all jobs vacant, Italy – no data available, UK – unfilled vacancies. **Composite leading indicator:** OECD data. Each is a combination of series, cyclical fluctuations in which usually precede cyclical fluctuations in general economic activity.

Comparative labour productivity in manufacturing



Labour productivity in the UK



What is left of the British 'economic miracle'?

IN the midst of the current recession, all that talk of four years ago about a "British economic miracle" seems a delusion, one triggered by a powerful economic drug, easy credit. But a recent survey, published by the Treasury, suggests that neither the euphoria of a few years ago nor the despair of today is entirely justified.* The 1980s did see creditable achievements, but ones that were in part thrown away.

The years 1979 and 1989 were the peaks of two successive cycles. Between those years, UK gross domestic product grew at 2.2 per cent a year, less than between 1960 and 1973, when growth was 3.2 per cent, but more than the 1.5 per cent achieved between 1973 and 1979. UK growth in the 1980s was marginally more than in the EC as a whole, though less than in the US, which managed 2.8 per cent, and in Japan, which achieved 4 per cent.

Productivity growth in the whole economy shows a similar picture. The UK's 1.8 per cent growth of labour productivity between 1979 and 1989 was up with European levels and ahead of the US, which achieved a mere 1.1 per cent a year, but behind Japan's 2.9 per cent. Again, what was remarkable was the deterioration of others; Japan's annual rate of productivity growth had been 8.1 per cent between 1960 and 1973 and Italy's 5.8 per cent.

Not to fall further behind was an achievement of a kind, but no cause for ecstasy, but in manufacturing, where labour productivity was (and is) still further behind levels achieved in more successful economies than elsewhere in the British economy, the UK started to catch up, as shown in the top chart.

Labour productivity in manufacturing rose 4.8 per cent a year between 1979 and 1989. This was not only vastly better than the 1.1 per cent registered between 1973 and 1979, but also better than the 3.4 per cent of 1960-73. UK performance was behind that of Japan, which managed 5.4 per cent, but well above Germany's 1.8 per cent (no Wirtschaftswunder here), France's 3.2 per cent and Italy's 4 per cent.

What caused the improvement? Not investment, it appears, nor closure of inefficient capacity. What mattered most was greater flexibility and efficiency in companies. Just how much that can mean is shown in the second chart. Notice in particular how the overmanned and slothful public enterprise behemoths, most now privatised, increased labour productivity by 70 per cent between 1979-80 and 1988-89.

UK manufacturing did become fitter, but output rose by only 12.3 per cent, from peak to cyclical peak. Yet one would expect a sector enjoying a global market and achieving a high rate of growth of productivity to grow quickly, absorbing a high proportion of investment in the process. UK manufacturing did not. From 27 per cent of business investment in 1979, its share declined to 19 per cent in 1989.

Presumably, manufacturing did not grow more because it was not profitable enough. Profitability was ground between the nether millstone of rapid rises in real wages, averaging 2.7 per cent a year between 1979 and 1989, and the upper millstone of international competition. Lower growth in the real cost of labour would have raised the return on capital and stimulated more – and more – labour-absorbing investment, both of which were needed in a high unemployment economy.

In the 1990s, productivity growth needs to flow more strongly into profits, which still appear low by international standards. Remarkably, in view of the recession, labour productivity in manufacturing rose 5 per cent between the third quarter of 1990 and last July, but the rise in real earnings, still more than 2 per cent a year, has eroded much of the benefit for profitability.

Similarly, there will be no contribution to competitiveness from last month's depreciation of sterling if it is offset by another wave of wage inflation. Productivity growth is excellent, but higher growth of output depends on the course of wages and profits as well.

Martin Wolf

* *Supply Side Performance in the 1980s, Treasury bulletin, summer 1992.*

هكذا صنة بالأصل

US tries to calm Angola after poll

Julian Ozanne on attempts to keep Unita in the peace process

THE US South Africa and other western observers to Angola's peace process were trying to defuse tension in the rebel Unita movement yesterday as it became clear that President Jose Eduardo dos Santos and the ruling MPLA party had won the war-shattered country's first democratic elections.

A diplomatic offensive was under way to keep Unita locked into the process, following an inflammatory weekend broadcast by Mr Jonas Savimbi, the Unita leader, which claimed the elections had been rigged, dismissed the verdict of the international community *and made* a veiled threat of a return to violence.

Mr Herman Cohen, US assistant secretary for African affairs, and South African President F.W. de Klerk both sent messages to Unita, once backed by Washington and Pretoria, urging restraint and respect for established procedures for resolving disputes.

"Savimbi is having trouble facing up the reality that Unita has been a victim of its own propaganda for the past 17 years and it does not have the support in the country it thought it had," said a senior western diplomat yesterday. "It a very painful process for Savimbi personally, and he is obviously confused, emotional and frustrated. But we are telling him in no uncertain terms that he must stay with the process."

Official results from 70 per cent of the country's 5,616 polling stations showed yesterday *that President dos Santos* was leading Mr Savimbi in the presidential race by 53.6 to 37 per cent.

In the legislative elections the MPLA was ahead by 57.3 per cent to Unita's 31.5 per cent. More than 3m votes had been counted last night out of a total registered electorate of 4.86m, suggesting a turnout of 85-90 per cent.

Although hundreds of results were still awaited from the Unita rural strongholds of Huambo, Cuando Cubango and Bie provinces, where Mr Savimbi was leading Mr dos Santos by at least 3 to 1, it was clear last night that Mr Dos Santos's lead could not be eroded – although a second round between the two arch-rivals was still a possibility if neither received more than 50 per cent.

As Unita's defeat became certain, Mr Savimbi said the country faced "a grave hour" and the MPLA was cheating, stealing ballot boxes, deviating votes and inflating numbers.

He warned: "If the MPLA wants to opt for war, it knows *that such* a war will *never be* won." He also said that if the National Electoral Commission did not *address his allegations* it would "lead Unita to take a position which will deeply disturb the situation in this country" and warned: "There are men and women in this country who are ready to give up their lives so that the country can redeem itself."

Yesterday morning Unita presented a dossier of what they termed "fraudulent incidents" to the NEC, the most serious of which concerned the removal of 20 ballot boxes from polling stations in Malange province during the first night of the two-day election.

Western diplomats said irregularities in the elections were considered inevitable in a country with no tradition of democracy and an infrastructure in ruins, and would not invalidate the whole election.

Mr Onofre dos Santos, NEC *director general, said yesterday* he was taking the Unita allegations very seriously and had begun investigations.

Kuwaiti premier to open files on invasion

By Mark Nicholson in Kuwait City

Election candidate Khalid al-Adawa addresses a crowd of 2,000 in Kuwait City

KUWAIT'S most actively fought election campaign closed this weekend with Sheikh Saad al-Sabah, the crown prince and prime minister, promising to "open the files" on the government's conduct leading up to the Iraqi invasion in August 1990 while *lending his support for extending the vote to women.*

Sheikh Saad's attempt to address some demands by Kuwait's opposition groups came in a television and radio broadcast on Saturday night in which he also denied claims that the government was seeking to weaken the country's constitution.

His remarks were the first public response to government critics from any member of the ruling al-Sabah family in the campaign. Kuwait's 81,400 eligible voters go to the polls this morning to elect a 50-seat National Assembly, the first full parliament since the emir suspended the last in 1986.

The assembly has limited powers to initiate and veto legislation and can summon, and in some cases sack, ministers.

Responding to repeated calls at rallies throughout the campaign, Sheikh Saad said: "We will not stand against going into the file of August 2 1990, in the light of persistent demands to open this file."

Opposition groups, and many independent candidates, have argued that the government should be called to account for what they regard as government complacency before the Iraqi invasion and for the apparent unpreparedness of the Kuwaiti armed forces.

Sheikh Saad also said he favoured extending the vote to Kuwait's women, 52 per cent of the population, who have led an unprecedented campaign to win the franchise. But he said that this and other opposition demands to lower the voting age to 18 and enfranchise naturalised Kuwaitis should be left to the next parliament.

Despite widespread opposition allegations that the government has directly financed some of the 278 candidates, a self-appointed election watchdog yesterday said the election campaign had been substantially free and fair.

Washington renews arms pledge to Israel

By Hugh Carnegy in Jerusalem

THE US has given a written commitment to maintain present levels *of military aid to Israel,* in a move interpreted by the Israeli government as evidence that Washington will continue to bolster the Jewish state's regional qualitative military advantage.

The assurance, in a letter to Prime Minister Yitzhak Rabin from acting secretary of state Lawrence Eagleburger, followed last month's military assistance for Israel to help offset its objections to the proposed US sale of up to 72 F-15 fighter aircraft to Saudi Arabia.

The package, including the supply of Apache and Blackhawk helicopters and "prepositioning" of US military equipment in Israel, was in addition to the $1.8bn Israel receives in annual military *aid from the US. It is the latter that* Mr Eagleburger promised to maintain. It amounts to almost half of all US annual foreign military aid.

Israeli officials are extremely pleased with these developments. They said they believed the commitments would be honoured regardless of who won the US presidential election next month.

Recent disputes over alleged transfers by Israel of US technology to South Africa and China and budgetary pressures in Washington had led to Israeli fears that aid might be reduced. Last month's additional aid package specified a commitment to allow Israel access to advanced technology.

● Syria has reiterated its rejection of a summit meeting between President Hafez al-Assad and Mr Prime Minister Yitzhak Rabin proposed by Israel to advance peace talks between the two countries. The prospect receded during a weekend visit to Damascus, Cairo and Jerusalem by Mr Roland Dumas, the French foreign minister, when Syria said a summit would undermine present negotiations due to resume in Washington later this month.

State election blow to Australian Labor party

By Kevin Brown in Sydney

THE re-election prospects of Australia's federal Labor government *dimmed yesterday after the opposition* conservative parties scored a landslide victory in state elections in Victoria.

The Liberal/National party coalition achieved a bigger than expected swing to eject Labor from government in Australia's second most populous state for the first time in 10 years.

Counting was still continuing last night, but it appeared that Labor would win less than a quarter of Victoria's 88 state parliament seats. The defeat will be a severe blow to Mr Paul Keating's federal government, which needs to retain several marginal seats in Victoria to win the next national election, due by next June.

Labor's federal prospects have also been weakened by a defeat in Tasmania earlier this year, and by its failure to dislodge a minority conservative government in New South Wales. Labor governments in South Australia and Western Australia have also been forced to accept independent support to survive, and both are expected lose state elections next year.

Mr Keating played down the Victorian result, *claiming it was due largely* to local factors which would be forgotten in the federal election. The Victorian Labor government lost support as a result of high unemployment and tax increases following heavy losses by state-owned financial institutions.

Mr Keating's main hope of rebuilding support in Victoria lies in a confrontation between the conservatives and the trade union movement, which has threatened to oppose proposals for industrial relations reform. Any signs of industrial unrest in Victoria are likely to be portrayed by Labor as a foretaste of what would happen under a conservative government in Canberra.

NEWS IN BRIEF

Iraq to pursue plan for oil sales

IRAQ yesterday dismissed as illegal a UN Security Council resolution to seize frozen Iraqi oil assets and said it was determined to press on with negotiations over a partial resumption of Iraqi oil exports, Reuter reports from Baghdad.

Finance Minister Ahmed Hussein al-Samaraei said Iraq would pursue its plan to seek UN permission to export oil worth $4bn over six months. This could be extended for six months more to help provide food, medicine and humanitarian needs for Iraqis, he said.

The Iraqi news agency INA quoted him as saying that UN acceptance of the plan would "help provide the source of living for the Iraqi people from the *north to the south*".

Troops move on Zaire bank

Troops with tanks have surrounded the Zaire central bank in a new power tussle with the prime minister, Reuter reports from Kinshasa. The move by soldiers under President Mobutu Sese Seko's command followed the sacking of central bank governor Nyemba Shabani by Prime Minister Etienne Tshisekedi, who is at odds with the president.

Mauritania devalues

Mauritania yesterday said it had devalued its national currency the ouguiya, by more than 20 per cent, from 82.65 to 106 against the dollar, Reuter reports from Nouakchott.

Fighting in Afghan city

Heavy fighting raged yesterday in the western Afghan city of Herat between a fundamentalist group and the government-appointed commander, Reuter reports from Islamabad.

Ministers try to dispel tax increase fear

By Alison Smith

SENIOR ministers sought yesterday to dispel the shadow of tax increases as a way through current economic difficulties following Britain's withdrawal from the European exchange rate mechanism (ERM).

They emphasised that, outside control of the ERM, public spending was even more important than before in ensuring that the government's anti-inflationary strategy carried credibility.

Mr Kenneth Clarke, home secretary, said the government would not leave sterling in free fall, and stressed the need to bring stability back to the pound's exchange rates as soon as possible.

Mr Clarke signalled that Mr Norman Lamont, chancellor of the exchequer, would be prepared to raise interest rates if the pound continued its fall.

He was joined in his efforts to calm nervousness in the money markets about the direction of economic policy by Mr Michael Heseltine, trade and industry secretary, who said raising taxes was the "least attractive course" open to the government.

Earlier Mr John Major admitted in an interview with the Sunday Express newspaper that since sterling had been suspended from the ERM the government had "a less satisfactory counter-inflation policy than we used to have".

Mr Clarke said on BBC television that the government's duty was to have a monetary and fiscal policy that gave traders stability.

He also indicated, however, that he did not believe it was yet possible to know what exchange rate would be sustainable.

Mr Clarke admitted that he did not expect the problems to be resolved in the immediate future, but sounded sanguine about the prospect of persuading the Germans that stability in European exchange rates, particularly in a single market, was in their interest.

Brushing aside the Anglo-German row about the circumstances of sterling's suspension from the ERM, he insisted that the relationship between the two countries was still good:"Today Germany are our allies and that is how it will stay," he said.

Lawson book threatens fresh row on ERM

By Alison Smith

THE ruling Conservative Tory party was haunted by the spirit of crisis past as well as crisis present at the weekend, as a fresh row erupted between former cabinet ministers over discussions seven years ago about whether sterling should join the European exchange rate mechanism (ERM).

The dispute centres on a book by Lord Lawson his time as chancellor of the exchequer – and in particular his recollection that Lord Tebbit, now a leading Euro-sceptic, expressed support for the UK's entry into the ERM in November 1985 while he was party chairman.

Lord Tebbit, the former trade and industry secretary, fiercely denies the charge.

Describing a meeting convened by Mrs Margaret (now Lady) Thatcher, Lord Lawson writes that Lord Tebbit said "that he would be in favour if I thought it would be helpful economically; and added that he felt it would be easy to carry the party".

In response to this version of the meeting in a newspaper serialisation of Lord Lawson's memoirs, Lord Tebbit insisted that the claim was wrong.

"Loyal as I was to the prime minister, I was naturally reluctant to put the boot in against a chancellor who argued for a policy change within his departmental responsibilities," he said.

He added that if Mrs Thatcher had been isolated on the question of the Britain's membership of the ERM in 1985, she would not have been able to withstand for five years as she did the pressure for sterling to join.

The former chancellor's picture of an ashen-faced Mr John Major wondering if he was equal to the job of Treasury chief secretary in 1987 is also likely to cause irritation within the party.

"For a time after the 1987 general election, I was concerned that I might have made the wrong choice of chief secretary after all – a view I suspect was shared by John Major himself," Lord Lawson writes.

Mr Major was appointed in 1987 as Chief Secretary to the Treasury. It was his first cabinet post, placing him in charge of public spending and made him the most senior Treasury minister under Lord Lawson.

The former chancellor of the exchequer wrote: "He found the job far more difficult than anything he had done before and had to work very hard to try to master it. He would come and see me at Number 11 [Downing Street], ashen-faced, to unburden himself of his worries."

On the record: former chancellor of the exchequer Lord Lawson claims Euro-sceptic Lord Tebbit backed entry to the ERM in 1985

Britain in brief

Government snubbed on coal contracts

The government has had only limited success in trying to persuade the electricity industry to cancel supply contracts with state-owned Nuclear Electric to make room for more coal-based power.

Only one regional company is believed to have responded to government pressure by seeking a possible renegotiation of its six-year nuclear contracts.

Renegotiation is likely to present difficulties, however: Nuclear Electric is considering the legal implications and the question of compensation if the contracts are ended. Professor Stephen Littlechild, the electricity regulator, might also have to approve the renegotiation if the contracts mean that the distribution company has to buy more expensive coal-based electricity.

Health workers seek pay rise

The 600,000 nurses, midwives and health visitors, one of the largest groups in the public sector, have submitted a pay claim of 8.7 per cent to their pay review body.

That is well above inflation and the increase in average earnings, which was 6 per cent in the year to July. It poses a direct challenge to the government's attempt to drive down public-sector pay increases.

Elderly face increased costs

The rising cost of long-term residential care is forcing the elderly to sell their homes, according to a report published today by the Family Policy Studies Centre, an independent research body.

But even the sale of a house will be insufficient to pay for more than five years in a private nursing home ...

Poor harvest could force increase in UK bread prices

By David Blackwell

UK BREAD prices may have to rise because of a bad harvest and the rising cost of imports due to the sterling devaluation.

Wet weather damage in southern England in August has left millers facing steep increases in the price of bread-making wheat.

Mr Keith Marsh, sales director of British Bakeries, part of the Rank Hovis McDougall group, said it was inevitable that any increase in the price of flour would lead to an increase in the price of bread.

John Malcolm of the National Farmer's Union said it was not surprising that millers were worried about supplies. The premium payable for bread-making wheat, which yields less tonnage per acre than feed wheat, had not encouraged farmers to plant it. If millers were concerned about future supplies, he said, they should contract with farmers to guarantee a fixed premium for bread making wheat.

The UK mills about 3.3m tonnes of wheat for bread each year, importing a shortfall of 500,000 tonnes from other EC countries and Canada. This year the UK harvest is likely to provide only 2m tonnes of bread-making quality, leaving an import requirement of 1.3m tonnes. Canada is also having weather problems, and its export prices are expected to rise by 15 to 20 per cent.

The fall-out from sterling's devaluation is also affecting the UK wheat market. As part of the Single European Market due to start on January 1, the agrimonetary system and the Green Pound are to be abolished.

The system uses MCAs (Monetary Compensatory Amounts) to iron out differentials in prices between EC countries. At present the UK has a negative MCA to stop its wheat exports being too competitive.

Abolition of MCAs would have the effect of raising UK support prices for wheat by 12 per cent at today's values.

Mr Peter Baker, president of the National Association of British and Irish Millers (Nabim), said that wheat of bread making quality for delivery was at a record £162 a tonne this year.

Pressure group demands reform of legal aid system

FUNDAMENTAL reform of the legal aid system including abolition of the Lord Chancellor's Department and the Legal Aid Board is called for in a report on publicly funded legal services in the 1990s published today, writes Robert Rice.

The report by the Legal Action Group – a legal services pressure group – says the escalating cost of legal aid has led the government into a series of ill-considered cuts.

At the same time, eligibility levels have fallen so that, for example, the proportion of couples with two dependent children who meet the income conditions for free legal advice dropped from 57 per cent to 22 per cent between 1979 and 1990.

The report says it is time for the first real reconsideration of the objectives and structure of legal aid since 1945.

The overall objective of publicly funded legal services should be equal access to justice for everyone.

Court to consider claim on EC rights

By Catherine Milton

A CHALLENGE to the government's interpretation of a European Community directive on workers' employment rights after takeovers begins in the High Court today.

Natfhe, the lecturers' union, says the law should be changed to prevent organisations that acquire public-sector bodies from dismissing workers or imposing inferior pay and conditions.

The union says UK legislation breaches the directive, as the law does not require employers to honour the employment contracts they inherit when acquiring non-profit-making organisations.

Contracts must be honoured when one organisation takes over another in the private sector, and Natfhe says the rules should protect all workers.

The government – under pressure from the European Commission – has agreed to add an amendment to its planned employment bill, due in the next parliamentary session, to extend equal protection to all workers.

The Commission, which has argued for five years that the UK rules breach the directive, is also preparing to take the British government to the European Court of Justice.

TRADE ASSOCIATIONS

Groups may be streamlined

By Alison Smith and Michael Cassell

SOME of Britain's many trade associations could be amalgamated as part of proposals being considered by the department of trade and industry (DTI) to streamline industrial lobbying.

In their informal meetings with industrialists and businessmen, Mr Michael Heseltine, the president of the board of trade, and Mr Tim Sainsbury, the industry minister, have been asking whether businesses are confident that they are getting value for money from their membership of a range of associations.

Government ministers are ... tions involved in representing their interests.

Most trade associations employ a levy formula based on a percentage of the member company's payroll or turnover, or both.

The Chemical Industries Association (CIA), for example, charges its 220 members using a formula based on turnover and the actual number of employees.

The CIA has a turnover of £4.2m a year and the minimum charge is £3,650.

The Association of the British Pharmaceutical Industry has 100 members which are charged between £14,000 and £180,000 a year.

... seriously and which they regard as less important, Mr Heseltine and his colleagues have a powerful way of putting pressure on those they see as less valuable.

The dual pressures on associations – declining income combined with increasing costs as they have to operate in Brussels as well as at Westminster – are seen by ministers as providing an opportunity for industry to ensure that it is getting a good deal for the amounts levied on it.

One example of the sort of changes which could come about was seen at the start of this month ...

... miracle ?

... achieved a mere 1.1 per cent a year, but behind Japan's 2.9 per cent. Again, what was remarkable was the deterioration of others; Japan's annual rate of productivity growth had been 8.1 per cent between 1960 and 1973 and Italy's 5.8 per cent.

Not to fall further behind was an achievement of a kind, but no cause for ecstasy, but in manufacturing, where labour productivity was (and is) still further behind levels achieved in more successful economies than elsewhere in the British economy, the UK started to catch up, as shown in the top chart.

Labour productivity in manufacturing rose 4.8 per cent a year between 1979 and 1989. This was not only vastly better than the 1.1 per cent registered between 1973 and 1979, but also better than the 3.4 per cent of 1960-73. UK performance was behind that of Japan, which managed 5.4 per cent, but well above Germany's 1.8 per cent (no Wirtschaftswunder here), France's 3.2 per cent and Italy's 4 per cent.

What caused the improvement? Not investment, it appears, nor closure of inefficient capacity. What mattered most was greater flexibility and efficiency in companies.Just how much that can mean is shown in the second chart. Notice in particular how the overmanned and slothful public enterprise behemoths, most now privatised, increased labour productivity by 70 per cent between 1979-80 and 1988-89.

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Presumably, manufacturing did not grow more because it was not profitable enough. Profitability was ground between the nether millstone of rapid rises in real wages, averaging 2.7 per cent a year between 1979 and 1989, and the upper millstone of international competition. Lower growth in the real cost of labour would have raised the return on capital and stimulated more – and more – labour-absorbing investment, both of which were needed in a high unemployment economy.

In the 1990s, productivity growth needs to flow more strongly into profits, which still appear low by international standards. Remarkably, in view of the recession, labour productivity in manufacturing rose 5 per cent between the third quarter of 1990 and last July, but the rise in real earnings, still more than 2 per cent a year has eroded much of the benefit for profitability.

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Martin Wolf

* *Supply Side Performance in the 1980s Treasury bulletin, summer 1992.*

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Regions in search of aid

Paul Cheeseright and Chris Tighe on the redrawing of the funding map

THE GOVERNMENT is redrawing its map of *assisted areas*, the regions classed as "development" or "intermediate" that qualify for financial support. Businesses and councils affected by the recession have been lobbying eloquently for bigger slices of the overall assistance cake.

But the signs are that the scope and size of assistance will be cut just when many regions feel justified in demanding more of it. The period for applications has just ended, and a new map, first promised in 1988, might be published by the end of the year after consultations with the European Commission.

Councils and businesses fear the areas might be reduced and the methods of payment made more restrictive.

"It is unlikely that the coverage of the new map will be greater than now, and it could be somewhat less," the government said in a consultation paper in June.

The government may also take the opportunity of the map redrawing to alter the methods of funding.

Mr Tim Sainsbury, the Industry minister, indicated in Birmingham last week that changes might go beyond the redrawing of the map.

Regional aid has been directed mainly in the past at towns caught up in industrial decline or industrial restructuring. But the recession has changed the geographical pattern of unemployment, providing some southern regions with a strong case for inclusion on the map.

Unemployment percentages on the Isle of Wight, for example, are as high as those in the Newcastle upon Tyne travel-to-work area, which includes parts of Tyneside, Northumberland and County Durham.

Again, the decline of unemployment since 1984, according to analysis by Coopers & Lybrand, accountants, has been much faster in the old blackspots of south Wales than it has been in Southampton or Portsmouth.

Because state subsidies are involved and because the subsidies impinge on the EC's competition rules, the government needs approval of its new map from Brussels.

The availability of EC funding, added to the plethora of UK regeneration instruments introduced since 1979 – enterprise zones, urban development corporations, derelict land grants and so on – has diminished the immediate financial importance of domestic regional aid, which is paid through two main channels:

- Regional selective assistance, designed to improve employment opportunities and aimed at projects that would not go ahead without some subsidy. It is frequently used as a carrot to attract inward investment.
- *Regional enterprise grants*, designed to help small companies with product and plant development.

Total government spending on such schemes has fallen from £518.2m in 1984-85 to £264.8m *in 1991-92. That is not* simply because the government has tightened its purse strings. It is also the result of a policy switch in the mid 1980s: the system of automatic entitlement to funds for projects in the assisted areas through the regional development grant was abandoned in favour of discretionary funding, where projects are examined case by case before a commitment is made to support them.

Regional aid from UK funds is spread over areas designated in 1984, most of which are north of a line drawn from The Wash to the Severn estuary, which has 35 per cent of the working population of Britain.

The officials working on the new map, just as with the existing map, will use unemployment as their main yardstick in deciding whether an area should be on the map. But they have no precise formula. It is not known how much weight they attach to actual unemployment figures relative to long-term unemployment figures, or, indeed, to potential unemployment figures.

Against that background, the regions have been marshalling some widely differing cases cases. Northern Development Company, for north-east England and Cumbria, emphasises that it has the highest regional rate of unemployment in *Britain, that only inward investment* can strengthen a weak economic base and such *investment will not be* attracted without assisted-area status.

The Isle of Wight emphasises its persistent unemployment and a fragile economic base.

Telford in Shropshire wants to retain assisted-area status because its workforce is growing so quickly that it cannot be absorbed by expansion of local companies, so it needs assistance to draw inward investment.

Staffordshire wants to retain the £1m a year that has been coming through regional selective assistance, arguing that it has very little access to other public funding apart from derelict-land grant and that loss of funds would skew its economic development programmes. There is no evidence that, in working its way through the competing claims of disadvantage, the government is examining the fundamental purpose of regional policy.

There has been no debate on the extent to which the existing instruments of regional policy work towards what the government defines as its broad objective: "to reduce regional imbalances in employment opportunities".

The fact that, for example, northern England complains of "structural unemployment for 60 years" and over the past 20 years a rate of unemployment "50 per cent *above the average* for Great Britain", raises the obvious point of whether there is value in the existing instruments of regional policy.

Is the flaw in the instruments or does fault lie elsewhere? Should regional policy be redefined?

Absence of such debate suggests that the new map will be changed by tinkering, perhaps taking out parts of Wales and Cheshire, perhaps inserting parts of the East Midlands, southern coastal areas, north Kent, the Essex and Lincolnshire coasts.

There is also the political map to be considered. Broadly, if the government stays with *the existing map, it will benefit* Labour areas – while if it spreads the map into the south, it will benefit Conservative areas.

THE MID WALES Rural Development Forum has urged the government to extend the area within mid Wales eligible for regional assistance under its regional aid review.

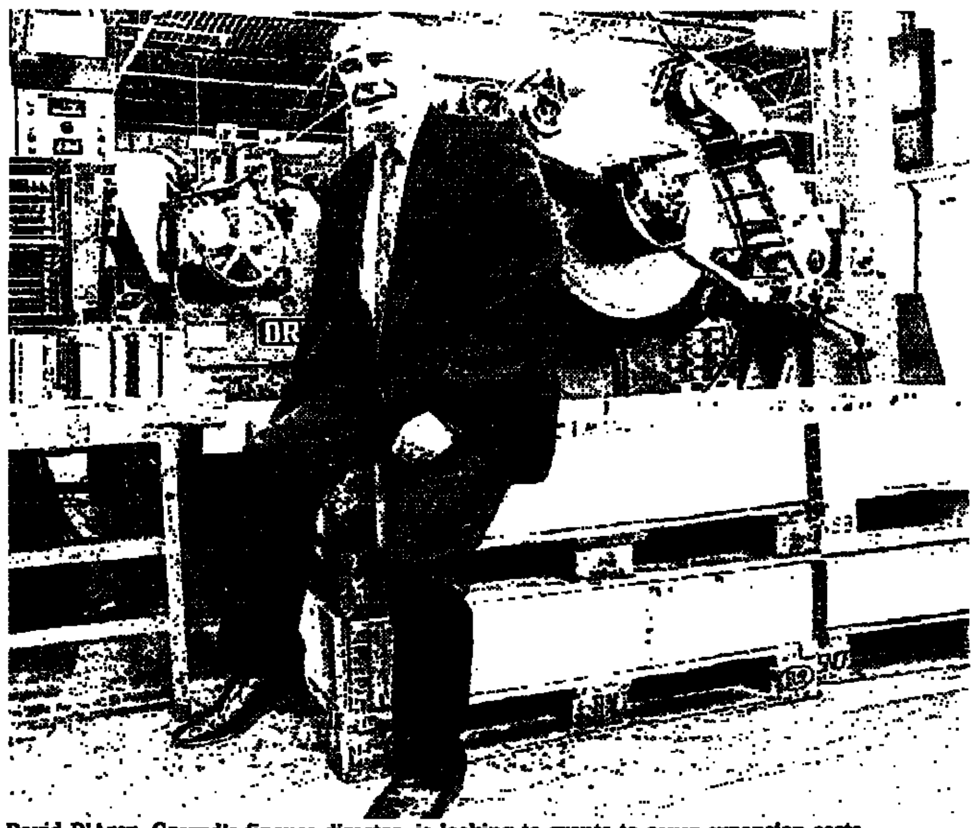
The forum – comprising the Development Board for Rural Wales, the three county councils in its area, five district councils and three Training and Enterprise Councils – is a lobbying group for more business investment in rural mid Wales.

Four areas in mid Wales have assisted area status: around Brecon and south of Cardigan are development areas; while north-west Meirionnydd and parts of Ystradgynlais, above Swansea, are lower-rated intermediate areas.

The rest of rural mid Wales, which has suffered in the past few years from the drop in farming income, is not designated for any form of assistance.

The forum is pressing for the upgrading of north-west Meirionnydd, around the Trawsfynydd nuclear power station, which is threatened with closure with the loss of some 600 jobs, to development-area status.

Mr R.O. Lewis, chairman of the forum, said there was "a special case for north-west Meirionnydd, given the area's dependence on the power station".



David D'Arcy, Grorud's finance director, is looking to grants to cover expansion costs

Newcastle zone strives to retain assisted-area status

By Chris Tighe

ASSISTED-AREA status attracted the Norwegian company Grorud to Consett, County Durham, in 1981, the year after the town lost its *steelworks and became a symbol* of the last manufacturing recession.

Aided by grants, Grorud has since become one of Consett's biggest companies, with 330 employees, diversifying successfully beyond door and window fittings, its original business, into stair lifts and precision engineering.

Thanks to Consett's development-area status Grorud has received aid totalling £1.5m towards a total capital spend of £5m.

The company, whose Consett operations will this year turn over £20m, is expanding there and has bought land beside its factories for another development, *pencilled in for 1994*. Its target is to increase its Consett payroll to 500.

Now it is waiting to see whether the Newcastle travel-to-work area, which includes Consett, wins its fight to remain a development area. If, as is locally feared, it is demoted to intermediate-area status, offering lower grants, the timescale of the £1m expan*sion would be affected*, Mr David D'Arcy, Grorud's financial director, says.

"We'd have to defer it, we'd have to generate sufficient retained earnings to fill the gap," he says. *He would*, he says, be looking to DA grants to cover 30 per cent to 35 per cent of the cost.

Grorud exemplifies the pulling power of DA status. Its Oslo-based parent, wanting a British base to sell into the European Community, selected Consett from a number of DAs.

Economic development bodies and local authorities in the Newcastle area estimate that regional selective assistance *since 1984 has totalled* £68m, creating or safeguarding more than 19,000 jobs.

In 1984-89, the area suffered a net loss of 9,600 manufacturing jobs. In Derwentside, which includes Consett, Mr John Pearson, industrial development officer, estimates that four fifths of today's industrial jobs were created in the 1980s.

The worry locally is that the *government will base its* review solely on a "snapshot" of present unemployment rates. In that league table, Newcastle travel-to-work area has slipped to about 60th place out of 322, as other areas have risen because of the recession.

Newcastle area's case is that its structural economic difficulties are far from solved: as evidence, it points to high long-term and under-25s unemployment. Demotion from DA status, it is argued, would undermine the job-creating potential of public-sector developments to which more than £600m investment has been committed.

"The job is far from com*plete*," Mr *Pearson* says. "We still have persistent unemployment." Newcastle area is lobbying hard. But so are dozens of others.

Big rise in jobless at Devon resort

By Richard Evans

ILFRACOMBE, the north Devon resort, is the unexpected name at the top of the national league table for the sharpest increase in unemployment over the past year. The town hopes to regain the status of assisted area that it lost eight years ago.

Parts of Devon face heavy unemployment because of cuts in traditional industries and because of failure in the absence of government incentives to attract new jobs.

Local authorities have applied for the retention of assisted-area status in Plymouth and the restoration of such status in four zones: Barnstaple and Ilfracombe, Bideford, Torbay and Totnes.

Unemployment in Ilfracombe is running at 22 per cent and the increase over the past year has been 36.6 per cent. The story of Ilfracombe indicates the significance of assisted-area status and its impact on a local economy.

From 1966 to 1982, virtually the whole of north Devon enjoyed development-area status, and a number of new industries were attracted to the area. From 1982, only Ilfra*combe retained full development*-area status.

Since 1984, no incoming manufacturing companies have gone to the town because of the lack of government grants and incentives, while the staple source of work, tourism, has been affected by structural changes in holiday habits.

There has been a change away from peak season resort-based visitors towards self-catering. The number of bed-spaces in hotels and guest houses in Ilfracombe dropped by 40 per cent between 1976 and 1991. Nothing has arisen to replace the jobs subsequently lost.

A big obstacle that needs *tackling* is the *poor infrastructure*, particularly access by road, which is especially difficult in the crowded summer months.

NEWS: UK

DTI to seek responses on debt delays

By Andrew Jack and Alison Smith

THE DEPARTMENT of Trade and Industry is shortly to issue a public consultation document on a requirement for companies to publish in their accounts how promptly their pay their bills.

The document comes in response to comments in the March budget speech in which Mr Norman Lamont, the chancellor, promised action to reduce late payment for small businesses. It follows growing concern from small businesses that they are facing severe financial difficulties because larger companies are delaying payments for several months to conserve their own cash.

Officials are expecting a paper to be ready for circulation within weeks, examining options on how to provide the data and where it should be published. They are keen to strike a balance between the provision of information and a concern that its preparation should not be too demanding.

Calls for action on late payment of debts are likely to be renewed at this week's Tory conference. The government has come under considerable pressure to bring forward such legislation, but is not convinced that new offences and litigation offer a way forward.

Ministers will undertake to look further at possible solutions once results are available from three pilot projects on dealing with late payment, and after the publication of an overdue European Community consultation paper on the issue, expected in January.

Mr Lamont said in his Budget speech that the government planned to amend the 1985 Companies Act to require large companies to state in their annual reports and accounts how quickly they pay their bills. The aim was to introduce the legislation during the current session of parliament, subject to the outcome of consultation.

Mr Lamont emphasised that government departments were taking commitments to prompt payment seriously, and would require that their prime contractors to pay sub-contractors normally within 30 days of receipt of a valid invoice.

The DTI has recently made grants as promised in the Budget to three trade organisations to run one-year pilot programmes such as telephone hotlines to help cope with late-payment difficulties.

Maxwell inquiry arrest expected

By John Mason and Nick Kochan

THE SERIOUS Fraud Office is expected to arrest and charge a fourth man early this week in connection with the Maxwell affair.

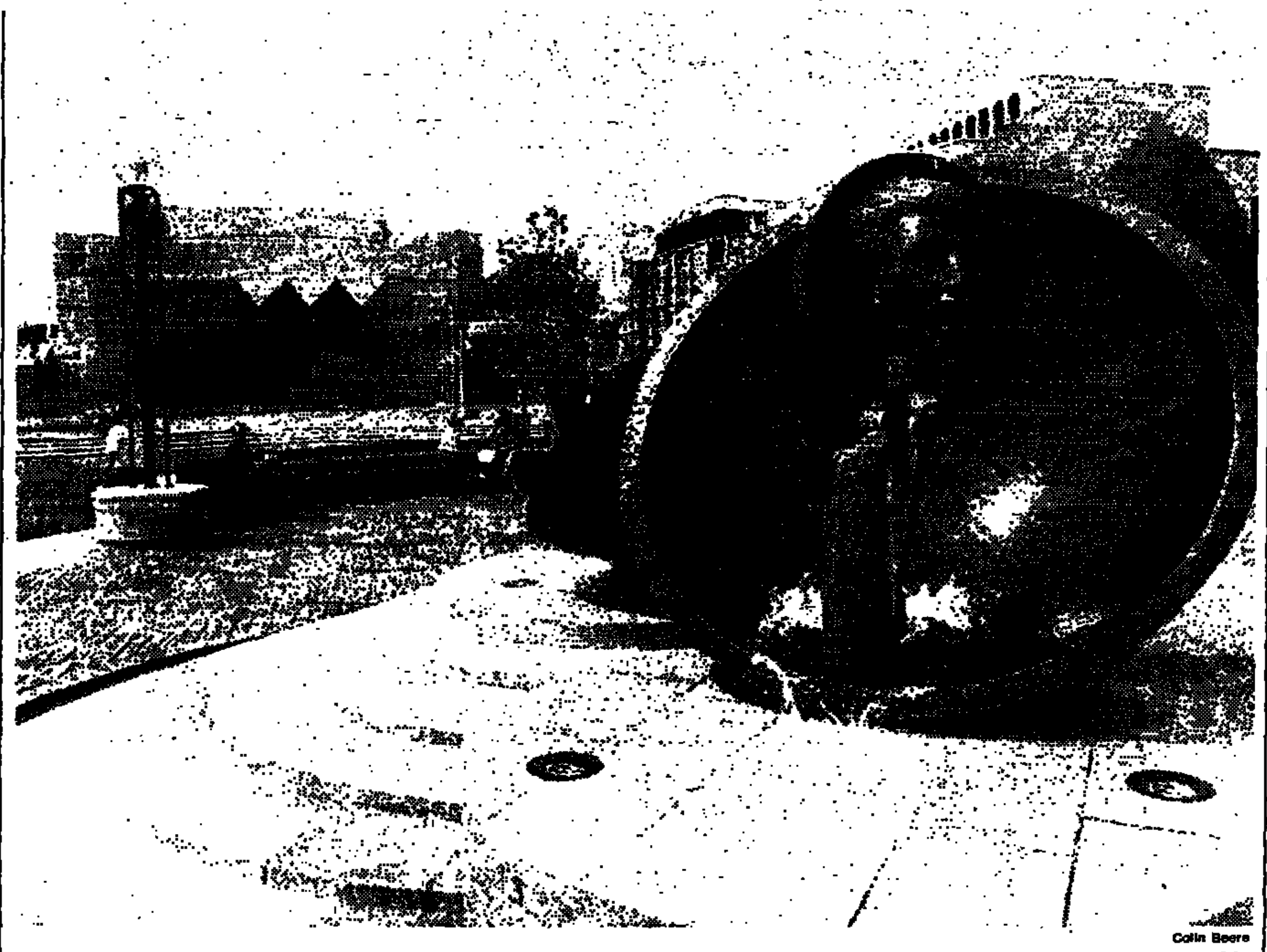
An arrest may arise from the arm of the SFO inquiry which is concentrating on the movement of money from the pension funds into the private companies in the Maxwell empire. This is one of five lines in the SFO investigation.

It is uncertain whether an arrest would take place with police raiding the man's house early in the morning in front of television cameras, as happened when Mr Kevin Maxwell, Mr Ian Maxwell and Mr Larry Trachtenberg were arrested in June this year.

So far, the two Maxwell brothers and Mr Trachtenberg, a financial adviser to the late Robert Maxwell, have been charged with a total of 15 counts of theft and conspiracy to defraud involving £135m.

Mr Kevin Maxwell faces two counts of conspiracy to defraud and six of theft. Mr Trachtenberg faces two of conspiracy to defraud and four of theft. Mr Ian Maxwell faces a charge of conspiracy to defraud.

All three are due to make their next court appearances on December 1.



Colin Beere

A view of the International Convention Centre in Birmingham's Broad Street redevelopment area, where delegates will assemble

BIRMINGHAM has started to primp and preen for next week's European Council meeting in the city, Paul Cheeseright writes.

"The first thing to say is we're going to try and make Birmingham the capital of Europe for four days," the City Council promised.

Away go the graffiti, out come more fresh flowers. Underpasses that have depressed and frightened pedestrians for two decades will be hung with banners. Streets will be extra clean.

Birmingham Mint is producing special bronze coins: city arms on one side, the symbol of the UK's Community presidency on the other. A special flag will fly: 12 stars with "Birmingham" in the middle.

The city expects about 4,000 people to attend the summit. The Foreign Office thinks the figure will be more like 3,000: 750 from the delegations and about 2,000 from the media.

They will converge on the new International Convention Centre, an appropriate place for the summit because the EC met about a quarter of the costs of building it.

Journalists who do not arrive early enough will probably be guided into the nearby National Indoor Arena to provide a spectacle in the interregnum between Torvill and Dean and an all-stops-out Carmen.

Fiat to keep Basildon factory

By Andrew Baxter

FIAT IS committed to keeping the former Ford tractor factory at Basildon, Essex, as one of the main plants in its worldwide agricultural equipment business, said Mr Giorgio Garuzzo, chief operating officer at the Italian vehicle producer.

The plant, which produces diesel engines and undertakes final assembly of Ford tractors, was acquired by Fiat as part of last May's merger of Ford and Fiat's agricultural and construction equipment businesses, to form NH Geotech.

Fiat is the 12th-largest non-British company in the UK with 8,000 employees last year. Employment at Basildon has fallen from about 2,800 in 1991 to just under 2,000. Most of the cuts were made last September when a fall-off in sales of agricultural vehicles, especially in Europe, led to 650 job losses.

Speaking in London, Mr Garuzzo said Fiat intended to retain the twin-track strategy for Basildon – producing tractors and also engines for use on NH Geotech equipment.

New products would be developed, and investment in the plant was assured, he said.

The Fiat executive said there would be further rationalisation elsewhere in NH Geotech, although the company hoped to avoid plant closures.

Broad support for Cadbury proposals shown

By Andrew Jack

NEARLY TWO THIRDS of directors, stockbrokers and auditors support the proposal to require companies to disclose their level of compliance with the Cadbury code on corporate governance, a survey showed yesterday.

Two thirds also believe that self-regulation is better than statutory enforcement in improving the way companies are run.

The study of 354 senior executives is published in the latest edition of the Arthur Andersen Corporate Register.

The Cadbury committee on the financial aspects of corporate governance reported during the summer and is due to publish a revised version before the end of the year.

One of its suggestions is that all companies should be required to show compliance with its code of practice as a condition for a stock market listing.

In an indication of dissatisfaction with the present situation, only 23 per cent of the survey believed leading institutional shareholders already carried out many of the functions proposed by Cadbury for non-executive directors.

Just over half believed that financial markets would provide tougher sanctions than external regulators against companies failing to reach accepted standards of corporate governance.

Smaller companies disagreed more strongly with the Cadbury recommendations such as the compulsory establishment of audit committees, arguing that they would introduce costly additional expense and bureaucracy. More than half strongly agreed with the statement that the role of chairman and chief executive should be split, and almost as many that annual accounts should disclose directors' remuneration split between salary and performance-related pay.

Sixty per cent agreed with the Cadbury suggestion that audit committees should be composed entirely of non-executive directors.

Only half of the companies responding currently had any type of audit committee, and nearly a quarter of those that did said it met just once each year. Only 9 per cent said its terms of reference resembled those proposed.

Of those that had audit committees, more than two fifths said they had a beneficial effect on company performance. Two thirds of companies had a remuneration committee, of which about half met once each year. Most of those were constituted as recommended by Cadbury.

Accountants in ascendancy

By Andrew Jack

TEN TIMES as many senior executives of quoted British companies are chartered accountants as are engineers or surveyors, the latest edition of the Arthur Andersen Corporate Register published by Hemmington Scott shows.

From a database of more than 15,000 directors and senior officers in the 2,000 quoted companies, 2,100 or nearly 15 per cent are qualified accountants.

Just over 200 are either chartered engineers or surveyors, while only 41 have MBA degrees.

Less than 3 per cent of the total are women, and less than 5 per cent of them hold executive directorships.

Nearly 900 went to Oxford or Cambridge University, and the single most common school – with 194 former pupils – was Eton.

There are 730 with some sort of honour, including 320 with the CBE, 347 knights and 104 lords. There are also two princes and two reverends with positions on boards.

The average male director is aged 53. The oldest is Lord Shawcross, the non-executive director of Caffyns and a director of the Observer, who is 90. The youngest, at 26, is Mr Jean-Jacques Murray, director of US operations for Nu-Swift. Golf is the most popular recreation, which was mentioned by 1,532 people.

Arthur Andersen Corporate Register. Hemmington Scott, City Innovation Centre, 26-31 Whiskin Street, London EC1R 0BP. Twice a year, £150.

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NEW YORK	32	85
LOS ANGELES	32	132
SINGAPORE	41	163
STOCKHOLM	8	24
EDINBURGH	5	9
NICE	12	17

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THE SERIOUS ALTERNATIVE

BUILDING CONTRACTS

Japanese theatre complex

SCHAL ASSOCIATES INC has won a contract for construction of a US$450m (£260m) performing arts centre, the Second National Theatre, in Tokyo.

The 741,000 sq ft five-storey building will include three separate theatres with a total of 3,500 seats.

The largest theatre will feature a 1,900 seat auditorium for opera, similar in scale and style to classic European opera houses.

Schal is constructing the building in a joint venture team headed by Takenaka, one of Japan's leading construction services companies.

The arts centre is being built for the Japanese Ministry of Construction in the Shinjuku area of Tokyo.

It is called the Second National Theatre because there is already an older National Theatre building used exclusively for traditional Japanese performing arts.

The project was one of a number identified in bilateral trade agreements between the US and Japan as being open to foreign participation.

Schal was the first US construction company to win a public works project in Japan under bilateral trade agreements and its current workload for Japanese clients includes the west wing of the Tokyo Telelecom Centre.

Founded in 1976, Schal Associates is a world leader in construction services and a subsidiary of New York-based Bovis Inc, the US construction arm of P&O.

Power plant at Tooting hospital

Wandsworth Health Authority has awarded a £3.2m contract for a combined heat and power plant at St George's Hospital, Tooting to MOWLEM ENGINEERING of Bromborough, Wirral and Peterlee, County Durham, a division of John Mowlem Construction.

The turnkey contract is for the design, procurement, installation and commissioning of a 4.4 MWe European Gas Turbine Typhoon, a 12 tonnes per hour unfired heat recovery steam boiler and gas compressor, together with all building and civil engineering work.

The existing boiler house will be modified to accommodate the boiler and electrical switchgear and a new gas turbine hall will also accommodate, at first floor level, a new control room as an extension to the boiler plant control room.

Bridge project

RENDEL PALMER & TRITTON, which has designed the £2m repair and refurbishment of the Manama Sitra Causeway bridges in Bahrain, in joint venture with Ismail Khonji Consultants, has begun prequalification of contractors.

The work, involving refurbishment of the reinforced concrete bridge decks and the supply, installation, testing and maintenance of an impressed current cathodic protection system on the top surface, will be supervised by RPT, a High-Point Group subsidiary.

It will also involve the removal of 12,000 sq metres of asphalt surfacing and underlying concrete. Refurbishment work includes concrete repairs to central reserve parapet beams, footways and deck soffits and repainting of steel beams. Work on the six-month contract will begin in November.

£20m aircraft facility in Cairo

TRAFALGAR HOUSE TECHNOLOGY, in association with Arab Consulting Engineers, has been awarded a contract for the masterplan development, design and construction supervision of a £20m aircraft hangar and maintenance facility for EgyptAir in Cairo.

The company will have total responsibility for the technical study stage of the development which includes examining areas like overhaul and maintenance schedules and practices, chemical effluent disposal, nose-in/tail-in docking options and manpower requirements.

When complete the hanger will provide EgyptAir with the facilities to carry out body overhaul and maintenance of its fleet of wide-bodied aircraft which includes Boeing 747s and 767s and Airbus A300s.

Design work will be complete by April and construction is scheduled to begin by late 1993.

£34m workload for Lovell companies

LOVELL GROUP has been awarded work valued at over £34m, the construction division contributing £20.7m and Partnerships £13.6m.

Walter Lilly has obtained £4.7m of orders in the London area comprising office projects for Paribas in central London worth £1m for the Wellcome Foundation at Beckenham for £1.7m, for SCOR (UK) Reinsurance at £1.37m and for bomb damage at the Baltic Exchange for £700,000.

Bullock Construction has won orders worth more than £9.2m including school contracts at Warrington and Chesterfield for £3.6m and local authority housing upgrading at Leicester, Winsford, Coventry, Derby, Huyton and Birmingham totalling £5.6m.

Lovell Construction has been awarded work worth £6.8m, comprising local authority housing at Crawley for £3.4m, a bus garage at Sutton for £1.2m, upgrading student accommodation at the Sunningdale Civil Service College for £1.2m, underground work on the Central Line for £600,000 and bomb damage reinstatement in Leadenhall Street for £400,000.

Lovell Partnerships has recently secured £13.6m of new business in seven partnership housing developments around the country, representing in excess of 400 new homes.

In the west, a partnership with Thamesdown Borough Council and Knightstone Housing Association will provide 109 homes in Swindon and a further scheme with Ogvale Housing Co-operative will result in 115 homes.

In the north west, two projects have been received: the first, at Salford, in partnership with Irwell Valley Housing Association, will be a development of 33 homes; the second, at Hyde, Cheshire is for a mixed tenure scheme of 69 homes for sale and rent through a partnership with Tameside Borough Council and Portico Housing Association.

In Leeds the company has two projects, which will provide a total of 78 homes.

£26m orders awarded to Lilley Group

The LILLEY GROUP has won £26m of new orders during the months of August and September. Of specific interest is a housing contract in Dumfries, worth £4.8m. The contract, awarded to Robison & Davidson, consists of the construction of 155 houses for sale and rent and is utilising part of Robison & Davidson's landbank; work will commence immediately and is due to be completed within 21 months.

In addition, MDW has won a £2.4m contract to build workshop units and a resource centre in Motherwell for British Steel (Industry).

Eden Construction has been awarded a contract worth £1.5m for reconstruction and overlay works on the A64 York bypass and Henry Jones Construction has won a £2m maintenance contract for Chichester District Council.

The remaining contracts were awarded throughout the group; the Scottish operations, Lilley Construction Scotland and MDW - £3.5m; the northern-based companies, Eden Construction and Robison & Davidson - £3.1m; the Midlands operations, Lilley Construction Midlands, Standen Construction and Piper Buildings - £2.5m; the south of England-based companies, Henry Jones Construction and Lilley Construction Southern - £1.2m.

PEOPLE

Scotland's latest press baron

Scotland has a new newspaper tycoon. Ian Macpherson, who takes over the chairmanship of Caledonian Newspaper Publishing this week, will head a company which publishes The Herald, Scotland's leading quality daily, and the Glasgow Evening Times, the UK's fifth largest evening paper.

The 56-year-old Macpherson, an accountant by training, is keen to play down the idea that he will behave like a traditional newspaper proprietor. He describes himself as a professional chairman and points out that since he lives in St Andrews, 100 miles from Caledonian's Glasgow HQ, he will not be continually popping in to host lunches and interfere in editorial management.

Caledonian, a £74m management buy-out from Lonrho in May, has been looking for a new chairman to take over

from the veteran journalist Kenneth Harris.

Liam Kane, Caledonia's chief executive, says that Caledonian's backers, which include several well known Scottish financial institutions, were looking for a "financial exit" over the next three to five years and wanted a chairman with good City connections.

Being a Scotsman clearly helped, but Macpherson describes himself as more a "cousin" of Scotland's so-called "financial mafia" than a fully-fledged "brother". He has spent a large part of his career south of the border after qualifying with Peat Marwick and Dundee's Alliance Trust. He was a partner of W Greenwell, the London stockbrokers, and opened Manufacturers Hanover Trust's Scottish operation.

In 1979, he joined the British Linen Bank and rose to be deputy chief executive. He is currently chairman and chief executive of Watson & Philip, Britain's third largest food distributor, and non-executive chairman of Low & Bonar, a packaging and paper group. He also sits on the board of the London Stock Exchange.

Macpherson sees his role at Caledonian as making sure that it meets its financial targets. However, the combination of the financial constraints of the MBO and the recession are bound to result in "stressful conditions" and Macpherson sees an important part of his task as being a "great encourager of people".

■ Meanwhile, at the other end of the country, the fifth generation of a provincial newspaper dynasty has started to appear. Kenelm Storey, 29, has been appointed a non-executive director of Portsmouth and Sunderland Newspapers which is headed by his father Sir Richard Storey. Kenelm, who is general manager of The Guardian International, is the fifth generation of the family to be involved in the business which was started by Samuel Storey in 1873. Like his father, who joined the board at the age of 25, Kenelm is a Wykehamist.

Richard Stillwell (above), golf fanatic and chief executive of Imperial Chemical Industries' paints operations in the Asia Pacific, is forsaking the delights of Singapore's luscious golf courses for the watering holes of Brussels. He is moving to Belgium as managing director of ICI's polyurethanes business, part of ICI materials division.

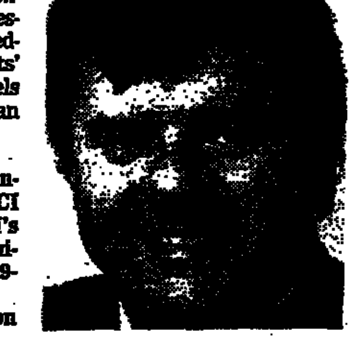
The move follows Robb Margetts elevation to the main board of ICI from his position as chief executive of the Tioxide group. Stillwell's predecessor at polyurethanes, Alan Pedder, is promoted to Margetts' job. He is swapping Brussels for Hammersmith, a less than exotic part of west London.

David Carter (right), 40, general manager finance of ICI Specialties, has joined ICI's eight-year-old corporate acquisitions team headed by 49-year-old John Dewhurst.

Carter, who has worked on the financial side of ICI since joining in 1979, is the fifth member of a small team which was set up by Sir Denys Henderson, ICI's current chairman. Whereas many big companies use outside merchant banks to vet potential acquisitions, ICI is of such a size that it can justify its own in-house team.

The team advises the ICI board on acquisitions, mergers and divestments, particularly on aspects such as scale, resources, merits and priorities. Since it was established, the unit has examined over 2,000 companies and been involved in 300 transactions.

Probably the best known of the executives who have passed through the ICI acquisitions team is David Nash, Grand Metropolitan's current finance director. After 12 years with ICI, Nash was appointed group finance director of Cadbury Schweppes in 1987 before joining GrandMet in December 1989.



■ The top guard at Low & Bonar is changing. Walter Telfer, 56, a former deputy group chief executive and currently head of international operations, is retiring at the end of December to pursue other personal and business interests. He joined Low & Bonar in 1975 and for the past two years has been chairman of its North American packaging and plastics operations. His departure will coincide with the retirement of Roland Jarvis, 59, chief executive for the past eight years. Jim Leng, 46, chief executive of European operations, will take over from Jarvis as group chief executive on December 1.

Non-executive directors

■ Nat Solomon has been appointed a non-executive director of BUSINESS TECHNOLOGY GROUP and not of British Technology Group.

■ Raoul Lloyd as chairman of Cosalt Holiday Homes, having retired as a director of COSALT.

■ Richard Rhodes, until recently a director of Warburg Securities, at THE UNION DISCOUNT COMPANY OF LONDON.

■ Ron Yearsley, deputy chairman of BIS Information Systems and a member of Ofwat, at CRT GROUP.

■ Michael Cohen, recently retired from Phillips & Drew, at FORMINSTER.

Departures

■ William Pietersen, president of SEAGRAM's beverage group and Tropicana Products, is to resign from the company on January 31 next year.

Pietersen, who is based in Florida, has decided, because of family considerations, to pursue career opportunities in the north-east of the US. Before joining Seagram four years ago, he was president of Guinness (America).

Myron Roeder, president of Seagram's international and global marketing, will be responsible for Tropicana's operations until a permanent successor is appointed.

■ Jim Griffith has resigned as group md of THOMAS FRENCH & SONS so that he may continue to assist his wife to recover from her near-fatal road accident earlier this year. Jeremy French, chairman, has assumed the role of group managing director.

■ Peter Delf has resigned from HARRISON INDUSTRIES.

■ Michael Kiely has retired from SMITH & NEPHEW.

■ James Macfarlane has retired from SIDLAW GROUP.

■ Jim Lockhart has retired from TRANSPORT DEVELOPMENT GROUP.

■ Patrick Dowling has retired from ALLIED IRISH BANKS.

■ The Hon Robert Underhill and IF Parley have resigned from STIRLING GROUP in order to pursue other interests.

■ S Rafwan has resigned from OWEN & ROBINSON.

THE WEEK AHEAD

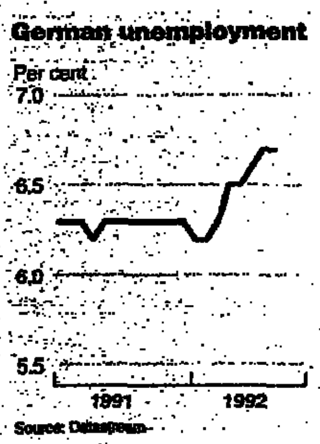
ECONOMICS

Indicators hint at German slowdown

THIS week sees the first of the monthly string of statistics on the German real economy. They are expected to show that the west German economy is in mild recession with manufacturing orders and industrial production falling and unemployment rising.

As the west German economy has slowed, employment growth has also eased. Unemployment, which has been rising steadily since the beginning of the year, is expected to increase by 20,000. Most forecasters believe it will continue rising for the rest of the year.

German unemployment



Source: Datastream

In the UK the economic highlight of the week is last month's retail prices index. The figure is due to be released on Friday morning, shortly before Mr John Major, the prime minister, rises to address the Conservative Party at the end of its annual conference in Brighton. Any inflationary effects of sterling's recent devaluation will not yet have fed through to the index, so at least on his inflationary record, Mr Major should have little explaining to do.

The following are some of the other economic highlights and events of the week. The figures in brackets – from MMS International – are the median of economists' forecasts.

Today: Luxembourg, EC foreign ministers' meeting; UK, August credit business; Denmark, August current account (DKr1.5bn); US, September 21-30 car sales (6.2m); Canada, September Bank of Canada reserves (-C$4bn).

Tomorrow: US, Federal open markets committee meeting in Washington; Germany, September unemployment – west (up 20,000), August employment – west (up 10,000), September vacancies – west (down 5,000), September unemployment – east (down 19,000), September short time work – east (down 14,000). UK, Conservative party conference opens in Brighton.

Wednesday: US, August wholesale trade, August consumer credit ($1bn repayment); Australia, October consumer sentiment, August leading indicators.

Thursday: US, initial claims week ended September 26 (420,000), state benefits week ended September 19, money supply data for week ended September 28; Canada, September housing starts (up 165); Australia, September unemployment rate (11 per cent), September employment (down 2,500); Germany, parliamentary debate on Maastricht in Bonn.

Friday: UK, September retail prices index (up 0.3 per cent on month, up 3.5 per cent on year), excluding mortgages (up 4 per cent on year); Norway, September CPI (up 2.3 per cent on year); Sweden, September unemployment rate, September trade balance; Canada, September employment growth (up 0.1 per cent), September unemployment rate (11.6 per cent), August motor vehicle sales, August department store sales (down 0.5 per cent; Australia, award pay rates for August; US, FOMC minutes of August 18 meeting released in Washington.

During the week: Germany, August manufacturing orders (down 0.5 per cent), August trade balance (DM1bn surplus), August current account (DM5bn deficit); France, August M3 (up 0.4 per cent); Switzerland, September consumer prices index (up 3.7 per cent on year).

Emma Tucker

CONFERENCES

7 October 1992

"Managing the Implementing of Strategy"

"The consequences of the culture gap"

2 papers at the London School of Economics in a Seminar on Strategy for Corporate and IS Strategists and Planners.

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DIVIDEND & INTEREST PAYMENTS

■ TODAY
Admiral 1.7p
ASDA Group 0.85p
Barbour Index 4.85p
Betterware 2.21p
Bradford Prop. Tst. $10\frac{1}{2}$% Cum Prf 5.25p
Do. Un. Ln. Stk. '92-97 £3.50
Braime (TF & JH) 2.25p
Do. Non Vtg. 2.25p
Centex $0.10
Chuo Tst. Asia Gtd. Fltg. to Fixed Rt. Nts. 2000 $2583.02
CIA 1.32p
Clarke (T.) 1.26p
Cleveland Place $3\frac{3}{4}$% Irred. Deb. £1.875
Do. $4\frac{1}{4}$% Irred. Deb. £2.125
Eastern Electricity 11.85p
East Midland Electricity 12p
Edinburgh Inv. Tst. $5\frac{3}{4}$% Deb. 1998 £2.875
Fife Indmar 0.5p
Five Arrows Chile Fd. Ptg. Shs. $0.30
Grand Metropolitan 4.6p
Hampson Inds 1.773p
Hazlewood Foods 3.9p
Imperial Chemical Inds. 21p
Invergordon Distillers 2.8p
Lasmo 2.3p
London Electricity 11.8p
Low & Bonar 2.7p
Manweb 12.8p
Met. Water Grand Junction Water Works 3% Deb. £1.50
Do. West Middlesex Water Works 3% Deb. £1.50
Midlands Electricity 11.6p
Misys 3.83p
NFC Var. Fltg. 1.4p
Northern Electric 13p
NORWEB 12.4p
Portmeirion Potteries 2.25p
P & P 0.7p
Real Time Control 3p
Regional Electricity Companies Pack. Units £121.7463
Relyon 1.75p
Scottish American Inv. 1.08p
SEEBOARD 12.25p
Southern Electric 11.76p
South Wales Electricity 13.6p
South Western Electricity 12.15p
Spear (JW) 2.5p
Stavert Zigomala 18.75p
Syltone 6.3p
Tomorrows Leisure 1.375p
TSB 3.15p
United Kingdom $2\frac{1}{2}$% *Annuities £0.625*
Do. $2\frac{3}{4}$% Annuities £0.6875
Do. $2\frac{1}{2}$% Consd. £0.625
Do. 8% Treasury Ln. 2002/06 £4
Do. 3% Treasury £1.50
Williams Hldgs. 5p
Yorkshire Electricity 12.53p
Zetters 4p

■ TOMORROW
Bampton Property $7\frac{3}{4}$% Unsec. Ln. 1991/96 £3.875
Bellway 9.5% Red Prf. 2014 4.75p
Bespak 5.5p
Colman (E. Alec) Invs. 9% 1st Mort. Deb. 1987/92 £4.50
CRT 1.825p
Ellis & Everard 4.8p
Greenalls 7% Irred. Un. Ln. £3.50
Do. $8\frac{1}{8}$% Irred. Un. Ln. £4.0625
Clark (Matthew) 9.25p
McMullen $6\frac{1}{2}$% Cum. Pf. 3.25p
Do. $10\frac{1}{2}$% Cum. Pf. 5.25p
Molynx 1.3p
Primadona 2.5p
Wheway 1p
Whitbread 9% Un. Ln. 1997/2001 £4.50
Williamson Tea 10p

■ WEDNESDAY OCTOBER 7
Ashtead 3.025p
Bradford & Bingley Building Soc. 13% PIBS £650
British Assets Tst. 1.04p
Capita 2.1p
Far Eastern Text. 4% 2006 $400
Osaka Gas 10.25% Nts. 1996 C$512.50
Rexmore 1.05p
River & Mercantile Tst. Inc. Shs. 2.25p
Scottish Natl. Tst. Inc. Shs. 2.1p
Taylor Woodrow 0.5p

■ THURSDAY OCTOBER 8
AIM 5p
Assoc. Brit. Consultants 2.1p
Barclays 9.15p
Blacks Leisure 2.25p
Fleming Enterprise Inv. 3.2p
Inch Kenneth Kajang 2p
Leo 1 Class B Fltg. Rate Nts. 2035 £3096.91
Royal Bk. of Can. Intl. Cap. Fd. Prf. $0.02
Salomon Auction Rate Nts. 1995 $1066.94
Tomkins 8.12p
Victaulic 2.5p

■ FRIDAY OCTOBER 9
Aerospace Eng. 0.5p
Alliance Tst. 14p
Do. 4% Cum. Pf. £1.40
Do. $4\frac{1}{4}$% Cum. Pf. £1.4875
Do. 5% Cum. Pf. £1.75
Amicable Smaller Enterprises Tst. 1.7p
Banks (Sidney C.) 5.5p
Bradford & Bingley Building *Soc. Fltg. Rate Nts. 1998* £257.65
Chieftain 2.1p
City Merchants High Yields Tst. 2.875p
Collaterised Mort. Secs. (No.11) Class B Fltg. Rate Nts. 2028 £300.07
Dale Electric Intl. 3.1p
Enterprise Oil Sub. Fltg. Rate Nts. 1999 £61,292.47
Excalibur 0.6p
Grand Metrop. ADR $0.4317
Greggs 5p
Kleinwort Overseas Inv. 1.5p
Kobe Steel Fltg. Rate Nts. 1996 Y129,645
Lec Refrigeration 4p
Life Sciences Intl. 1.2p
Lloyds Abbey Life 6.3p
Macfarlane 1.88p
McKay Securities 3.5p
Metal Bulletin 2.7p
NatWest. Bank 6.125p
Pelican 1p
Reject Shop 2.1p
Resort Hotels 2.25p
Richardsons Westgarth 1.25p
TI Group 3.7p
Tiphook 12.9p
Treatt 1p
Unitas Bank Var. Rate Sub. Nts. 2000 $103.82
US Smaller Cos Inv. Tst. 0.2p
Vardy (Reg) 2.7p
Yorkshire Chemicals 2.5p

■ SATURDAY OCTOBER 10
EBRD 8.875% 1996 Ecu887.50

■ SUNDAY OCTOBER 11
Islington Corp. 12.65% Red. Stk. 2017 £5.95

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Adscene, Camburgh House, 27 New Dover Road, Canterbury, Kent, 10.30
Ashtead, 30 Furnival Street, EC., 12.00
BOARD MEETINGS:
Finals:
Microfilm Reprographics
North American Gas Tst.
Welsh Indl. Inv.
Interims:
Eurotunnel
Kitty Little
Oriel
Silentnight
URS Intl.

■ TOMORROW
COMPANY MEETINGS:
Fleming Enterprise Inv. Trust, 25 Copthall Avenue, EC., 12.00
TR City of London Trust, Mermaid House, 2 Puddledock, EC., 3.30
BOARD MEETINGS:
Finals:
Barry Wehmiller
Manchester United
Raine Inds.
Savage
Interims:
Derwent Valley
London & Manchester
QS Hldgs.
S & U

■ WEDNESDAY OCTOBER 7
COMPANY MEETINGS:
Budgens, Skinners' Hall, 8 Dowgate Hill, EC., 11.00
Kelt Energy, Cafe Royal, Regents Street, W., 10.30
BOARD MEETINGS:
Finals:
Allied Leisure
Austin Reed
Burn Stewart Dists.
Halstead (James)
Renishaw
Interims:
Computer People
Grampian Hldgs.
Hewden-Stuart
Ipeco
Select Appointments
Stylo

■ THURSDAY OCTOBER 8
COMPANY MEETINGS:
Border Television, The Television Centre, Carlise, 12.00
Independent Inv., 1 Charlotte Square, Edinburgh, 12.30
McKay Securities, 20 Parkside, Knightsbridge, SW., 12.00
Peel Hldgs., Clarendon Room, The St. James Club, St. James House, Charlotte St., Manchester, 12.00
Platignum, 20, Greenfield, Royston, Hertfordshire, 9.30
BOARD MEETINGS:
Finals:
Galliford
Merivale Moore
Interims:
Acorn Computer
Bilston & Battersea Enml.
Bowthorpe
Chepstow Racecourse
Clarkson (Horace)
Country Casuals
Higgs and Hill
Ibstock Johnsen
Tilbury Douglas

■ FRIDAY OCTOBER 9
COMPANY MEETING:
Crown Eyeglass, Glenfield Park, Northrop Avenue, Blackburn, 3.00
BOARD MEETINGS:
Final:
Goodwin
Interims:
Anglo American Inv. Tst.
Johnston
Lamont
Slingsby (HC)
Ulster TV

Meetings are annual general meetings unless otherwise stated.

RESULTS DUE

MORE bad news from the recession in construction, property and housing sectors is expected on Thursday with three victims reporting results.

Higgs and Hill took exceptional charges of £20.9m and reported a pre-tax loss in the year to December 31, and is expected to post minimal interim pre-tax profits of £500,000-£800,000. The interim dividend will likely be slashed to 1.5p (6p).

Ibstock Johnsen, the brick and building materials manufacturer, has also been having a tough time. Interim pre-tax profits of £3m-£4m (£7.2m) are forecast. Its interim dividend also looks under pressure and could be cut to 1p or even a halfpenny (2.25p). However hopes are brighter for **Tilbury Douglas**. Interim profits of £6.5m (£6.7m) are expected and the 10½p dividend looks safe. The company is expected to maintain its reputation as one of the few in the construction sector to be coming through the recession relatively unscathed.

Grampian Holdings, the Scottish mini-conglomerate which set the ball rolling in the bidding for Macarthy last year, is expected to show on Wednesday an interim profit on its continuing activities of £2.5m, down from £3.4m.

The picture is complicated by the sale of the Mitre business, maker of footballs and other sporting goods. The largest part of Grampian is the animal pharmaceuticals division. The performance of the tourist retailing side is traditionally biased towards the second half.

SWEDEN

The FT proposes to publish this survey on **November 10 1992.**
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CONFERENCES

Responses to Rio
The Business Impact
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Limited number of places still available at authoritative Imperial College symposium in London on implications of Earth Summit for business, with unique concentration on energy policy and pollution control aspects.
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Fax: 071-225-8668

CONFERENCES & EXHIBITIONS

OCTOBER 12 & 13
World Mobile Communications
The conference will examine growth prospects in world markets, development of new services, the outlook for PCNs, pan-European mobile networks, paging systems and satellite communications. Enquiries: Financial Times.
Tel: 071-251 9321. Fax: 071-251 4686
LONDON

OCTOBER 12&13
Managing Financial Risks
The Workshop is an intensive, practical course aimed at those who wish to understand the principles and practices of financial risk management. Enquiries: Financial Times Tel: 071-251 9321
Fax: 071-251 4686
LONDON

OCTOBER 14–17
Strategic Renaissance: The Transformation of Economic Enterprise
Strategic Management Society conference in association with Gemini Consulting. Issues covered include: From Government to Enterprise; Corporate Transformations; Information Technology; Corporate Governance. A major international conference for senior executives, consultants and academics. Contact: The Event Organisation Company 071-228 8034
LONDON

OCTOBER 15
World Market for Consumer Catering
A series of presentations organised by leading market analyst Euromonitor, in conjunction with the HCIMA, on this dynamic industry. Themes: Global Market Review; UK Focus; Worldwide Corporate Developments; Catering Trends in Spain; Researching the Industry. Contact: Richard Harrison, Euromonitor. Tel: 071-251 8024
LONDON

OCTOBER 15
Base & Precious Metals Options Course
Intensive one-day course covering various aspects of the Base & Precious Metals Options Markets: Trading Strategies, Backwardations, Pricing Models, Hedging, Volatility Exposure & Time Decay. Venue: Cambridge Science Park, Cambridge. £345 Contact Giliam Beckett, Brady Financial Seminars.
Tel: 0223 423250
CAMBRIDGE

OCTOBER 16
Public and Private Sector Pay
Public Finance Foundation conference in association with the Confederation of British Industry. Speakers: Robbie Gilbert, Director of Employment Affairs, CBI and Chris Trinder, Research Director, Public Finance Foundation, the research arm of Cipfa. Enquiries to Gail Main on – Tel: 071 895 8823 Ext 255. Fax: 071 895 8825.
LONDON

OCTOBER 19
OUTSOURCING I.T. A CRITICAL GUIDE
Explores the key issues associated with outsourcing. Leading organisations show how they have used outsourcing to increase the effectiveness of their I.T. operations, and major suppliers answer questions about how to avoid some of the most common problems. Contact: Business Intelligence Tel: 081-544 1830
Fax: 081-544 9020
LONDON

OCTOBER 19-23
African Business Show '92
A five day Conference and Exhibition focusing on starting or developing a better business link in, with and from Africa. Conference Speakers, Exhibitors and Delegates will be from governments international organisations, commerce and industry. Enquiries: - Imagemakers International Quaquaversal plc Tel:- 071-739-8410 Fax :-071-739-8683
LONDON

OCTOBER 19&20
Global Technology Transfer
Chaired by Sir Geoffrey Pattie MP and Mr Harry Wendt, Chairman of SmithKline Beecham; involving senior businessmen from international companies, leading European academics and top officials from European Patent agents. Contact Lucinda Middleton, IBC
Tel: 071-637 4383 Fax: 071-631 3214
LONDON

OCTOBER 20-22
PROCESSING AND PACKAGING MACHINERY ASSOCIATION:
PPMA Show, an Exhibition dedicated entirely to machinery for those who process and package food, pharmaceuticals, cosmetics, chemicals, beverages, DIY goods etc. Over 400 major machinery manufacturers exhibiting. Tickets from Bill Lake
Tel: 081-681 8226 Fax: 081-681 1641
TELFORD

OCTOBER 21
Taking Taurus Live
A conference tackling the policy and implementation issues as Taurus prepares to go live, offering the first opportunity to assess Phase One of entry testing, featuring a workshop on transition planning for investment managers and securities firms plus a separate workshop for company secretaries.
London Hilton
Contact Alice Huang: 071-607 5322
Equity International Conference Division
LONDON

OCTOBER 22
OFFSHORE SUPPLY VESSELS Regulatory Commercial and Operational Issues
This Conference is for vessel owners, operators with marine safety and operations managers from oil company charterers, and other interested parties facing problems in this area. Contact: Caroline Little, Institute of Petroleum. Tel: 071 636 1004. Fax: 071 255 1472
LONDON

OCTOBER 27
KNOW YOUR JUNGLE
Essentials of Competitor Intelligence & Analysis. A practical one day seminar/workshop from the UK's No 1 specialist. Benefits. CI&A Action Plan: Targets, Sources, Methods. Practical case exercises. Successful case studies. Contact Patricia Donnard about other seminar dates too.
EMP Intelligence Service.
Tel: 071-487 5665 Fax: 071-935 1640
LONDON

OCTOBER 27-28
Arab-European Seminar On The Food Industries
Arab delegates will be at this seminar to seek deals with European enterprises to implement very substantial development programmes. Visits to UK firms/establishments on 29-30 October. Fee £220+ VAT. Contact: Mr S K Khanna, Arab-British Chamber of Commerce
Tel: 071-235 4363 Fax: 071-245 1748
LONDON

OCTOBER 28
International Tax Conference
Ernst & Young's annual International Tax Conference, this year on Managing the Tax Charge, will be held at The Royal Lancaster Hotel. For further details please contact Bill Field, Ernst & Young. Tel: 071-931 1313. Fax: 071-242 5862.
LONDON

OCTOBER 28-30
IPM National Conference Harrogate
The Conference will discuss all the major issues in HR management today. A distinguished line-up of speakers includes Rt Hon Gillian Shephard, Employment Secretary and Rosabeth Moss Kanter, the much acclaimed management guru from Harvard. Contact: Gillian Tofield.
Tel: 081 946 9100 Fax: 081 947 2570
LONDON

OCTOBER 29
Pensions after Maxwell
A conference examining the options for reforming pensions legislation. Speakers include Social Security Minister Anne Widdecombe, regulators and pensions experts. Contact: Iain Dale, The Waterfront Partnership Tel: 071 730 0430
Fax: 071 730 0460
LONDON

NOVEMBER 2
I.T. AND BUSINESS RE-ENGINEERING
Provides a unique opportunity to find out how the marriage of business process redesign and the creative use of information technology is enabling companies to compete more effectively in today's testing markets.
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LONDON

NOVEMBER 3
Developments in Competition Policy
A Conference examining legal and political developments in UK and European Competition Policy. Speakers include Corporate Affairs Minister Neil Hamilton.
Contact: Iain Dale, The Waterfront Partnership
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LONDON

NOVEMBER 3
Competition Policy in Transition
In association with the European Policy Forum. A conference examining legal and political developments in UK and EC Competition Policy. Speakers include Corporate Affairs Minister Neil Hamilton and Colin Overbury, Head of Mergers Task Force DG IV.
Contact: Ian Dale, The Waterfront Partnership. Tel: 071 730 0430
Fax: 071-730 0460
LONDON

NOVEMBER 4
Occupational Pensions: The Way Forward for Directors
Pensions is no longer a dull subject for the specialist. The implications of the Maxwell scandal together with a profusion of legislative changes have made pensions a key issue. This one day IOD conference is held in association with Watsons. Enquiries:- Director Conferences 071 730 0022
LONDON

NOVEMBER 5
Changing Business Frontiers in the Asia-Pacific Region
Convened by the Royal Institute of International Affairs, The Strategic Planning Society & The China Britain Trade Group. To be held at Chatham House, London. Enquiries SPS conferences. Tel: 071 636 7737;
Fax: 071 323 1692
LONDON

NOVEMBER 5-6
***11th International Retail* Banking Conference "Leading the Service Revolution"**
Quality Service Management is the key to maintaining customer satisfaction. This conference will help you create a successful service policy and establish a realistic vision of consumer requirements. Contact: Elaine Fitzsimons, Lafferty Conferences, Tel (+353-1) 718022
Fax (+353-1) 713594
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NOVEMBER 9
BUSINESS PERFORMANCE MEASUREMENT
Explores in depth the issues involved in developing and introducing new performance measurement frameworks, based on a broader set of 'upstream' management indicators, such as quality, marketplace performance and customer satisfaction.
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Tel: 081 544 1830 Fax: 081 544 9020
LONDON

NOVEMBER 10
The 1992 Amex Bank Review Prize Winners' Forum
Convened by The Royal Institute of International Affairs and The AMEX Bank Review. To be held at Chatham House, London. Enquiries RIIA Conferences, Tel: 071 957 5700;
Fax 071 957 5710
LONDON

NOVEMBER 16-17
1st International Corporate Banking Conference "Rebuilding a Core Business"
The corporate banking sector is under unprecedented scrutiny. Strategies and approaches which were fashionable are now being overturned. Hear how industry experts view the future!
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NOVEMBER 18
Whither Corporate Governance?
Joint conference of The Strategic Planning Society and Henley Management College. London Hilton Hotel. Current thinking in the U.K., the U.S.A. and on the Continent, and proposals for reform. Chairman Sir Adrian Cadbury. Details from Mrs Joanne Mainee, The Strategic Planning Society. Tel: 071-636-7737.
LONDON

NOVEMBER 19–20
EUROPEAN CONSTRUCTION – *CLIENT'S PERSPECTIVES*
Markets; Contract Strategies; Project Performance. Oil – Chevron; Total. Gas – British Gas; VEW. Water – Wessex Water; GU Projects. Power – Powergen; EdF. Contractors' Response: ABB Lummus Crest Europe; Siemens AG; John Brown; Taylor Woodrow Construction. Contact: European Construction Institute. Tel: (44) 509-222620. Fax: (44) 509-260118
LONDON

NOVEMBER 24
THE HENLEY CENTRE
PLANNING AHEAD IN AN UNCERTAIN ENVIRONMENT:
The UK Economy in the 1990s
(This conference presents) Henley's latest forecasts of international, European, UK and regional economies, overlaid with new approaches to planning and marketing for the 1990's.
Cost: £350 + VAT.
Contact: Jacqui Gotts Tel: 071 353 9961
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NOVEMBER 26-27
8th Annual Payroll Conference
Two day residential event, which offers payroll professionals the unique opportunity to review and discuss relevant issues in the complex payroll environment. Topics include Autumn Statement, Inland Revenue and DSS Updates, Payroll Downsizing and european effects on payroll. For more details please contact: Laura Oliphant, Peterborough Software (UK) Ltd.
Tel: 0733 316091.
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DECEMBER 1
Developing A Business-Driven I.T. Strategy
This one day conference shows how the effective management of the process of strategic planning and implementation can lead to the successful use of I.T. to support business objectives.
Contact: Business Intelligence.
Tel: 081-544 1830. Fax: 081-544 9020.
LONDON

DECEMBER 1-2
World Telecommunications
This year's conference will focus on the trends changing the shape of the industry - deregulation, privatisation and globalisation. Financing the infrastructure in the Third World and Eastern Europe will also be reviewed. Enquiries: Financial Times Tel: 071-251 9321
Fax: 071-251 4686
LONDON

DECEMBER 3
"BRITAIN IN 2010"
Based on the authoritative study by the Policy Studies Institute, this conference will make a valuable contribution to all organisations with an interest in "scanning the future". Speakers include Tom Burke of the Green Alliance, Bob Tyrell of the Henley Centre for Forecasting. Chairman Leo Murray of Cranfield.
Details from: Jo Mainee
The Strategic Planning Society
071-636 7737
LONDON

DECEMBER 7-8
The 7th International Energy Conference
WORLD ENERGY DEMAND: IS GROWTH INEVITABLE?
Convened by The Royal Institute of International Affairs, The British Institute of Energy Economics and The International Association for Energy Economics. To be held at Chatham House, London. Enquiries RIIA Conferences. Tel: 071 957 5700;
Fax: 071 957 5710
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FEBRUARY 10-12
THE FINANCIAL SKILLS OF MANAGEMENT
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INTERNATIONAL

NOVEMBER 11 & 15
ExpoShipping Istanbul '92 - International Shipping Exhibition and Conference
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ISTANBUL

NOVEMBER 12-13
Resolving Disputes in International Construction Contracts through ADR
A unique 2 day programme offering hands-on experience resolving construction disputes utilizing various methods of Alternative Dispute Resolution against standard FIDIC contract conditions. To be held at the Hotel Intercontinental. To register call Mary Ann Gaffney Tel: 1-609-497-7300
Fax: 1-609-497 3412
GENEVA

NOVEMBER 17-19
Economic Transition of Eastern Europe, Former Soviet Republics: Business Outlook
PlanEcon, DRI/McGraw-Hill, ENI conference on privatization, trade, and reform. Investment roundtable, industry-specific panels and half-day energy symposium. Contact Corinne Redonnet on 081 545 6212
ROME

EXHIBITIONS

OCTOBER 13-15
TIME Europe/CD-ROM Europe '92
Europe's leading Interactive Multimedia Event. Free admission to exhibition and Keynote sessions of the five-stream conference. 100 exhibitors include IBM, Olivetti, JVC, Pioneer, Hitachi, Toshiba. LEO Ltd., 0733 394304.
Wembley Complex
LONDON

OCTOBER 15-18
Enjoy the thrills and spills of THE DAILY MAIL BRITISH SKI SHOW at the Birmingham NEC, October 15th-18th 1992 between 12 noon and 9.30pm. On 15th and 16th prices will be £3.00 adults/£1.50 children. On 17th and 18th £4.00 adults/£2.00 children.
BIRMINGHAM

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MANAGEMENT

John Gapper looks at an innovative IBM retraining programme

Workers who want to make the grade

Adrianne Goodman, a worker at IBM's printed circuit board plant in Austin, Texas, was less than enthusiastic when it was first suggested she should take some maths lessons. "I had been here for 10 years and I did not see why I should go back to school," she says. Goodman was only convinced when the lessons allowed her to take on more responsibility.

"There used to be process technicians everywhere in here. They used to run the place," she says. These days, workers exert more control over how the plant runs. "I feel I am a part of it," she says. Like the other retrained workers, Goodman is now known as a technical associate.

IBM's effort at Austin is a rare beacon of hope for the corporation as it tries to raise profitability: the plant's success shows that investment in skills can improve profits. Yet it is still moving away from its tradition of employment security: it expects to cut its worldwide workforce by about 40,000 this year through voluntary reductions.

The company has a number of measures for the success of the training initiative. It says that productivity has doubled in the panel plant and at a nearby card assembly plant, where the components are assembled on boards.

It also estimates that stockpiles have been reduced by 40 per cent, production has increased and there has been a 5 per cent quality improvement.

The re-education effort at Austin was launched in 1985, when the plant's future was in doubt. The plant's quality was low, it was over-staffed – three workers carried out indirect tasks, such as engineering maintenance, for every one direct production worker – and it was estimated to be losing \$60m (£33.7m) a year. It needed fewer, but more skilled, workers.

Because production methods were then unsophisticated, IBM could instead have relocated to a lower-wage economy such as Mexico and employed the same number of workers more cheaply. But Abe Clay, plant manufacturing manager, says its tradition of retaining workers made that option unlikely.

IBM instead decided to use the plant as a test-site for a work re-organisation plan known as Manufacturing Technical Associates (MTA).

The principle was to combine a cut in the indirect workforce with re-training for the others so they could take on broader tasks. The hope was that the newly-educated workers could both improve quality levels and cut the cycle times.

The company devised a new job structure, based on seven grades, cutting out more than 200 former job classifications.

Those on the lowest grade spend more than 90 per cent of their time on production work, and the remainder on technical tasks such as materials analysis. As the worker acquires more skills, and higher pay, the proportions gradually alter.

Even those in the first grade required mastery of basic statistical process control and systems administration, along with production and technical skills. This required up to 40 hours of skill-based classroom training, as well as basic maths and reading for those who needed to supplement inadequate or ill-remembered high school classes.

Clay says any deficiency in basic education was less striking than the untapped potential of the 800-strong direct workforce. "There were a lot of people who you would have said were incapable of doing this or that until you tested it. It made me think that we have not really tapped the resident skills of a lot of the workforce," he says.

However, the change in work style is not entirely painless. Jerry Schiappa, a Grade 5 worker, says the new structure has clarified what was previously a murky grading system and made explicit what the company expects of workers.

"It tells me my limitations. It is the first time I have known what I need to do to get to the next level," he says.

Although the grade structure provides a single ladder to move to what would formerly have been supervisory work, the degree of specialisation increases at the fourth level.

Workers then specialise either in technical manufacturing or quality control, acquiring a series of skill modules. This has allowed IBM to cut materials handlers and engineers.

Clay says quality control standards have improved markedly. "We are identifying \$250,000 of products each year that we would have shipped out before, but we are just not accepting any more," says Clay. Like Motorola, which has also been praised for training and education efforts linked to quality improvement, the IBM plant is trying to reduce flaws to below one in a million within two years.

The quality improvement drive has provided the clearest incentive for IBM to invest in re-education and training, and to that extent, the demand for higher skills is unlikely to abate. IBM has now put about two-thirds of its 30,000 direct workers through the MTA programme, or similar initiatives in other plants.

Clay says quality is the clearest benchmark for assessing whether the investment in education was worthwhile – a difficult calculation to make.

"There has been a dramatic shift in the quality curve. Some of that is design and engineering, but a big piece of quality comes from what a person does every day," he says.

The company has tried to stimulate interest in quality improvement through a separate initiative under which any worker can form a team of around 10 people to solve a particular problem. Each gets a bonus for identifying a problem and working on it: the three teams which are judged to have solved most each year receive \$15,000.

Yet despite the plaudits won by the effort at Austin, the future of such initiatives is made less certain by IBM's corporate restructuring efforts. Given the strong pressures to reduce costs – IBM is planning to reduce costs and expenses by \$4bn a year, beginning in 1993 – and its efforts to cut staff, training investments will inevitably come under scrutiny.

Paul Osterman, professor of human resources and management at the Massachusetts Institute of Technology, says companies such as IBM which have pursued "full employment" policies have had a strong motive to invest in skills. Because they have not been able to hire and fire at will, they have been forced to think carefully about how to use employees.

Osterman says the future of investments like the MTA programme is vital if US industry is to move towards an industrial model based on workers allowing job flexibility in return for job security and investments in training.

The alternative is that more manufacturing plants may end up moving from Texas towards the pool of cheaper labour south of the Mexican border.

The author is a Harkness Fellow of the Commonwealth Fund, New York. This is the last in a series of articles on US education and training. Previous articles appeared on August 17 and 24 and September 29.

Some tender memories of the Bundesbank

David Waller continues the series on power lunching

Heinz Schimmelbusch, chief executive of the Metallgesellschaft mining, metals and engineering group, is exceptional among senior Frankfurt businessmen in that he enjoys going out for a business lunch.

His chauffeur drives him to his favourite Italian restaurant 10 minutes from the centre of the town and, while his body-guards wait outside, Schimmelbusch commands a corner of the room, orders the food and launches into a lively discussion of his plans for the company, and much else besides.

Schimmelbusch's willingness to go out to lunch perhaps dates back to early in his career when – already marked out for great things – he spent some time working in New York with a Wall Street investment bank and became used to more relaxed eating habits than are the norm in Germany.

Top businessmens' diaries are booked up years in advance and they simply do not have the time, or the inclination, to go out. As Hellmut Hartmann, chief press spokesman for the Deutsche Bank, Germany's biggest bank, explains, the bank's main board directors tend to have a bowl of soup and sandwiches at their desks as they get on with their work.

Of course, main board directors – the Gods of the German financial world – have the facilities to entertain honoured guests. Sal Oppenheim, the private bank, is reputed to have the most exquisite cuisine of all the banks in Frankfurt: unfortunately this correspondent cannot pass judgment on the quality of the food there, having not (yet) received an invitation. He can, however, vouch for the tenderness of the wild boar occasionally served at the Bundesbank.

One step down from board level, bankers must eat canteen food, palatable and cheap, but canteen food all the same. The most senior have their own dining rooms but, again, get canteen food.

Despite all this, there is a lively restaurant scene in Frankfurt. Eating out is mainly the preserve of the large community of intermediaries – brokers, lawyers, advertising executives and public relations people – and it is done predominantly when foreigners come to town.

It is a strange fact that, but for one or two notable French and German restaurants, the bulk of restaurants in this city are Italian. The proprietor of the local pizzeria suggests that there are 560 outlets for Italian food in the city of Frankfurt alone, and many more in dormitory towns such as Kronberg, Königstein and Bad Homburg.

Of these, a dozen or more are excellent restaurants where one can eat exquisite food at what – by the standards of other world financial centres – is a reasonable price. Many of these are clustered in the Westend, the elegant residential and office district five minutes away from the financial centre. The restaurants are informal, one can take off one's jacket and sit outside when the sun is shining.

Menu

Sea bream with basil and vinegar sauce

Noodles with truffles

Zackenbarsch (perch) cooked in a salt crust

Mille foglie alla vaniglia

Michele Castagno has run Florian, one of the most popular Italian restaurants of this class, for the last 12 years.

He says that up to half his customers at any given lunchtime are non-Germans. Most do not appear to have met their lunch partners before, and Castagno notices a perceptible relaxing of tension as the meal proceeds, the wine begins to take effect, and client and customer began to feel at ease with one another.

At lunchtime, 60-80 per cent of Castagno's customers eat fish. There is a choice of 60 wines, although most of the customers drink no more than one or two glasses, with many drinking nothing but water.

A typical light meal would consist of mushrooms or carpaccio (raw meat) followed by veal, fish or a mixed pasta dish, rounded off with fruit salad and a cup of coffee.

The menu (above) is on a grander scale, but it would not finish off either wallet or stomach: four fine courses would cost no more than DM100 (£40) per person (without wine) and you ought to be able to stroll round the corner afterwards to have a meeting at 3pm without needing a siesta.

However excellent and varied, Italian food can begin to pall if one is obliged to eat out two or three times a week. There are one or two good French restaurants (Erno's Bistro, for example, near the Palmengarten) and Humperdinck earns its Michelin Star for its fine "international" and French food.

Serious business is not discussed over lunch, at least not in public. It is however an important topic when top businessmen get together for drinks parties in the evening.

It is probably harder to get an invitation to one of these parties, than to be invited to lunch at Sal Oppenheim.

Architecture/Colin Amery

Arcadian dreams

The idea of arcadia has interested me for a long time. "Arcadia" means a place of rustic happiness that relies upon nature for its inspiration, but is itself man made. In his *Georgics*, Virgil understood the need for men to be inspired by the seasons, by the moods of nature and by bucolic pleasures that are not easily at hand in cities. Ancient Romans who went to their villas wanted to be close to nature, both to observe it and to control it. Life in the villa was often highly sophisticated, and part of this sophistication was the affectation of simple rustic values and the acceptance of the country as a place of innocence and the home of "truth."

In England, the development of arcadian ideas is inextricably tied up with the growth of the culture of the country house and so it is entirely appropriate that The National Trust should arrange a travelling exhibition entitled *An English Arcadia*. This display of drawings and water colours concerned with the designs of gardens, landscapes and garden buildings comes mainly from the Trust's collections, selected by Gervase Jackson-Stops, the Architectural Adviser to the Trust.

The purpose behind the exhibition is to raise funds for the Stowe Landscape Appeal to restore the landscape and garden buildings of this major example of English landscape history, which the Trust acquired in 1989. The exhibition has already toured the US and is currently in London at Hazlitt Gooden and Fox, Bury Street, St. James's, SW1. It will go on tour in England later in the year.

Landscape and garden history are fast replacing architecture and interior design as cult subjects of study. probably. I am sure this is linked to both the new green consciousness and the economic recession. Almost everyone can plant a seed, and the national pastime of gardening is now looking for some academic roots. Planting trees is less expensive, and often more satisfying, than erecting buildings. If only the one third of the architectural profession that is currently out of work would take up landscape the world would rapidly become a richer and greener place.

The drawings and water colours in *The English Arcadia* exhibition are paper evidence of a passion for natural order and perfection. The arcadian sentiment is used to make an evocative title, but the idea of arcadia is, alas, not really explored at all. However, it is perfectly possible for the visitor to explore the idea with his own eyes and mind. Indeed, this is the perfect exhibition for imaginary journeys. There are 125 exhibits, beginning with 17th century drawings and going on to the 1980's with an example of the work of Quinlan Terry.

The Westbury Court garden on the banks of the Severn in Gloucestershire is shown in the form of an engraving by Johannes Kip which was published in 1712. Here you have the contemporary printed evidence for a garden that has now been restored by the National Trust as the perfect example of a Dutch-inspired water garden. Westbury was in the hands of a property speculator in the 1960's and was very nearly lost for ever. Today it represents a triumph of restoration that has been much helped by the existence of the contemporary views and the account books that show the botanical nature of the planting. Westbury is small and perfect. It is still improving, and its history demonstrates the vulnerability of gardens: they can so easily completely disappear.

The Temple of Concord and Victory, Stowe by John Claude Nattes

The small but perfect vision of a garden is intriguingly typified by the drawings by Sir James Thornhill (1675-1734), of sketches for a *trompe l'oeil* garden. He proposed a series of painted views to go on the walls of a house in London's Bloomsbury Square. This is the imaginative vision of a personal arcadia that would remain imaginary because it would add an illusion of space to a small town garden. Modern designers please copy. The drawings were found at the National Trust's property at Erdigg in North Wales.

Plans of great 18th century parks and landscapes are an important element of this exhibition and they certainly deserve a lot of study. Initially they just look like trees and grass in plan, but in the catalogues there is often an accompanying legend that helps you to visualise the full extent of the changes planned to the English landscape.

Stowe is well represented here by the work of the French artist Jaques Rigaud, who was invited to England by the landscape designer responsible for Stowe, Charles Bridgeman. John Claude Nattes is another artist who left behind hundreds of views of Stowe that will be of enormous value in the restoration of the landscape and temples. His views have great charm even if they lack great artistic merit.

There is often more charm than art in many representations of landscape and garden buildings. It is important to remember that, although the inspiration for much of the English arcadian vision came from artists like Claude, Poussin and Watteau, it was often created by gentlemen amateurs and their gardeners.

There is so much of delight and interest in this exhibition. Humphry Repton, Edwin Lutyens, William Burgess – they are all represented. If the particular strengths of the collected drawings lies in the 18th century, that is because the arcadian spirit was then at its height and had not be swamped by Romanticism or plantsmanship.

The National Trust has a responsibility for a quite remarkable slice of artistic and creative history – this exhibition shows how much of the richness of the vision survives on paper. Much still exists to delight us on the ground, but we must neverforget how vulnerable this created landscape actually is.

Opera/Max Loppert

Don Giovanni

The latest English National Opera *Don Giovanni* delivers a great deal more than on paper it promised to. The cast, with newcomers to the Jonathan Miller production ranked alongside old hands, has not been schooled to impeccable vocal stylishness – only one singer, Glenn Winslade (an admirable and under-used tenor) as Ottavio, attains anything like the velvet-glove Mozart standard. The conductor, Andrew Greenwood, is lively, at times a bit brusque over rhythmic definition. The staging, now in the care of Francesca Joseph, goes well, in a rather obvious way; Miller's invention of a dark theatrical world, Goya-inspired and lit by flares of intellectual penetration, has been considerably diluted.

But it is a performance of the opera freshly alert to the knots of relationship tied and untied during the opera's course. The leading septet is full of "real people" – characters whose skins were (one feels) already fully inhabited before the curtain went up. Peter Coleman-Wright (the dashingly sardonic Giovanni) and Arwel Huw Morgan (the wrily witty Leporello), veterans of the previous revival, play to and with each other in excellently knowing fashion. Lesley Garrett's Zerlina, spunky, gullible and tender, is more adorable than ever, opposite the strong new Masetto of Christopher Purves.

Alastair Muir

Peter Coleman-Wright and Arwel Huw Morgan

Most interestingly of all, the two female aristocrats are embodied and sung with unusual boldness and determination. Helen Field (Anna) and Linda McLeod (Elvira) both have appealing but at times unwieldy Mozart sopranos; the fact that both confront their difficulties rather than skating round them lends an edge of excitement to everything they sing. In the Coliseum, an unsuitably large theatre for Mozart, it is a rare and pleasurable event when *Don Giovanni* comes alive as vigorously it did on Thursday.

In repertory at the Coliseum until November 5

Theatre/Andrew St George

The Tempest

The curtain falls after about thirty seconds of The *Tempest* at the Bristol Old Vic. Prospero has ambled on in civvies, slipped into the magic gear, and wants to prove he can create a sea-storm from degree zero. Why not just start?

Andrew Hay's production, like many *Tempests*, shackles itself to the idea that because the play deals with the nature of theatrical fiction ("Our revels now are ended . . ."), it is necessarily dramatic. In fact, the play works best as a small chamber piece, a meditation on redemptive art, and forgiveness. Derek Jarman's unmatched 1980 film, all whispered hints and guesses at the play, set the action in the half-light of Prospero's imaginings.

Here at Bristol, Mick Bearwish's monochrome design is an open tilted pentangle, fit for a magus, with matching floor-plan. It works best from the upper galleries, not ground level. Through the pentangle, a raised, curtained area serves as home to the apparitions and sprites.

But the action fails to create energy within this promising empty space. It needs to be sharper, more focussed, and better deployed. The opening storm scene, instead of being a riot of confusion, is a tame cotillion of courtiers edging along a gangplank, taking turns to speak. This is far from Ariel's description, "I flamed amazement." The closing reconciliation scenes have the air of an awkward photo-call with no one in charge.

There are thematic problems in the relation between Prospero (Ewan Hooper) and Miranda (Sally Mais); he is perpetually choleric, and she testily assertive, straight from Personal Growth therapy. Her character's strength has subtler springs; the daughter who speaks up to Prospero is not the same girl who is scared of Caliban, who gives herself to Ferdinand, and who is wide-eyed at the New World. When Hooper is telling her his life story, he bows and defers to her; this looks wrong on stage. Coleridge knew that Ariel and Miranda, too much alike, should be kept apart; this Miranda rivals Caliban for *chutzpah*.

Elsewhere a lacklustre court has Richard Mayes' fine, solemn Gonzalo and Freddie Lees' super, Yorkshire Trinculo as exceptional extremes, with Sebastian (Simon Walter) as a free radical. However, the production finds a great resource, which should be more prominently used, in Ariel (Paul Brennen), Juno (Maria Sherry) and Iris (Tim Kirkus). Sherry and Kirkus dance an erotic body-sculpture for the wedding masque, suspended over the stage; and all bring a physicality to the Old Vic Company.

Good ambient music from John O'Hara keeps the magic afoot, and under-used animation projected onto gauze screens gives the production welcome diversity. But at present this is not the play which Shakespeare's editor, Warburton, described as "the noblest Effort of that sublime and amazing Imagination."

Sponsorship/Antony Thorncroft

Crossing frontiers

The arts are certainly not afraid of Maastricht and an integrated Europe. The first major pan-European arts sponsorship honeypot has just been announced, with the money coming from Canadian owned Northern Telecom. For the first year there will be three tranches of £50,000 available for arts events in the UK, France and Germany which involve co-operation across frontiers.

For example, if a British dance group commissions a work by a German choreographer with a French composer providing the score, it could apply for a grant towards the project, ranging from £5,000 up to £50,000, with some confidence. Each year Northern Telecom will add a new European country to its patronage so that in three years time it should be distributing £250,000. It also hopes that its sister companies on the continent will join the scheme, boosting the jackpot.

The sponsorship was devised by Cerec, the European Committee for Business, Arts and Culture. The applications will be shifted by local committees of worthies and then there will be an annual award ceremony. The chosen arts events will promote innovation as well as international collaboration and further information can be obtained from Spero Communications on 071 538 9946.

★

It is definitely getting hard out there. Companies are cutting back all their peripheral expenses. And it is companies that were previously big supporters of the arts – the banks, the insurance companies, the oil multinationals – that are among the main sufferers in the recession.

The consensus is to freeze sponsorship budgets where possible. But if the government cuts the arts budget for 1993-94 business will feel it is let off the hook. This is an argument being put to the Treasury to maintain current spending subsidy levels.

Few companies have so far risked the opprobrium of withdrawing from existing sponsorships, but they are loathe to enter new commitments and are cutting back in such areas as corporate membership, which can cost over £20,000 a year to guarantee seats at prestigious venues like Covent Garden. The pressure is on to justify arts expenditure and to avoid links which look like perks for the directors.

Sadler's Wells has adopted a flexible response to the crisis. It has come up with a scheme to suit the times. For £1,000 you can become a member of the Business Circle. As well as perks like free tickets and programmes the participants are invited to bimonthly Business to Business meetings at the theatre. The programme is aimed to appeal to local accountants, estate agents, etc. who relish the chance to make business contacts in an arty environment.

★

One major sponsor which has rationalised its programme is BP. Out goes its support of the Arts Journalism of the Year Awards, which for six years were held in co-operation with the Arts Council. The Council is now looking for a new backer prepared to put up around £50,000 to promote the highest possible standards in arts media coverage.

After a shaky start sponsors have come to the aid of the Council's "Odd Couple" conference at Brighton on October 27-29. The conference aims to bring together workers in the arts and broadcasting to discuss areas of conflict and co-operation, but the cost of over £300 a delegate deterred many potential participants.

Philip Hedley of the Theatre Royal Stratford East expressed his horror at the expense by offering to put up the money for a young artist to attend. Harvey Goldsmith added his bursary. Now Carlton Communications is funding 70 full and half fee bursaries for impecunious enthusiasts and Granada, Central and Sony are also helping.

The ENO is allowing itself a pat on the back for finding sponsors for all seven of its new opera productions in the 1992-93 season while its rival at Covent Garden has no commercial sponsors lined up. Not that all is hunky dory at the Coliseum. It might have found sponsors for 14 of the operas on the programme but the revenue from this source is five per cent down on a year ago. Sponsors are cutting back on the size of their pledges.

ENO set itself an ambitious sponsorship target of £1.865m for 1992-93, an 18 per cent increase on the previous year. To date it has raised £1.4m and is now finding the going tough. Two corporate prospects withdrew their interest in Ken Russell's forthcoming production of *Princess Ida*, although an American couple, Christine and Irvine Laidlaw, are making good much of the gap.

Four operas this season are down to private sponsors and a fifth is backed by thousands of individuals. To pay for a new production of Janáček's *The Adventures of Mr Broucek* £50,000 has been raised in the past month from the ENO's audience, who are encouraged after every performance to contribute to its cost. A further encouragement is that BB Supply, UK distributors of Gambrinus Pilsen Czech Beer, is testing arts sponsorship by supplying several thousand bottles of beer to oil the Sponsor an Opera campaign. By the end of October the ENO hopes that £100,000 will have been accumulated this way.

★

Sculpture is an art form that has failed to attract the sponsors its history and importance merits. Now the Royal Society of British Sculptors is sharpening up its act and has attracted a major backer. Nat West Life, the newly formed life assurance subsidiary of the Bank, is supporting the Natwest Life Commission, which is aimed at young sculptors at art schools.

The winning entry will stand outside the company's new Bristol headquarters. There will be £5,000 cash prize for the successful sculptor, £2,000 for their college, and advice from a professional sculptor in the erection of the work.

★

Alternative comedy is currently the popular sponsorship fix.

Rowntree's is the latest company to join in, with its Polo Mint comedy award. Twenty-one nominees are appearing at London venues over the next two months. One will then be chosen as the winner and will carry off no money, just prestige. Polo has to pay their modest appearance fees, which includes spots on Kiss FM.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

CONCERTS

Concertgebouw 20.15 Vienna Schubert Trio plays trios by Reger and Schubert. Tomorrow: The Dubliners. Wed: Czech Philharmonic Orchestra. Thurs (also Oct 14 and 15): Riccardo Chailly conducts Royal Concertgebouw Orchestra. Sat: Hartmut Haenchen conducts Netherlands Philharmonic. Sun afternoon: Howard Shelley conducts Netherlands Chamber Orchestra in works by Elgar, Britten and Malcolm Arnold. Next Mon: Charles Mackerras conducts Orchestra of the Age of Enlightenment. Oct 18: Alfred Brendel. Oct 21: Julian Bream. Oct 23: Mariss Jansons conducts St Petersburg Philharmonic. Oct 29: Jessye Norman (6718 345)

OPERA/BALLET

Muziektheater 20.00 Louis Langrée conducts Offenbach's Les brigands, with Michel Sénéchal, Michele Langrange and Jules Bastin (also Oct 7, 9, 12, 15, 17, 20, 22, 25, 28). Sat: Dutch National Ballet gives first of 15 performances of Peter Wright's production of Sleeping Beauty (6255 455)

BERLIN

OPERA/BALLET

Deutsche Oper Rafael Frühbeck de Burgos conducts tonight's performance of Hugo de Ana's new production of Don Carlo, with Giacomo Aragall in the title role (also Wed). Tomorrow: Christopher Bruce's ballet Cruel Garden. Thurs: Don Giovanni with Ferruccio Furlanetto in the title role. Sat: Aida with Julia Varady (3410 249)

Staatsoper unter den Linden Fabio Luisi conducts the Berlin Staatskapelle in orchestral concerts on Wed and Thurs featuring Bruckner's Second Symphony. Sat: Nureyev production of Sleeping Beauty. Sun: Die Fledermaus. Oct 15, 17, 21, 23: Rene Jacobs conducts Graun's Cleopatra e Cesare. Oct 25: Daniel Barenboim conducts first night of Harry Kupfer's new production of Parsifal (2004 762)

CONCERTS

Schauspielhaus Hartmut Haenchen conducts tonight's concert by the CPE Bach Chamber Orchestra, including Beethoven's Second Piano Concerto (Peter Rösel). Thurs: Scottish Chamber Orchestra plays works by Mendelssohn, Maxwell Davies and Giuliani. Thurs: Moscow Tchaikovsky Conservatory Orchestra. Sat and Sun: Pinchas Steinberg conducts Holst's The Planets. Oct 17, 18, 19: Hermann Prey sings German Lieder (2090 2156)**Philharmonie** On Fri, the Cellists of the Berlin Philharmonic give a concert celebrating their 20th anniversary. Oct 14, 16, 18: Claudio Abbado conducts semi-staged performances of Il viaggio a Reims (2548 8232)

THEATRE

A new production of King Lear directed by Frank Castorf opens at the **Volksbühne** on Thurs (2828 978). Peter Ustinov will give a one-man show at the **Schiller Theater** on Oct 13 (3126 505). **Schlosspark Theater's** repertory includes a new production of Durrenmatt's The Visit directed by Alfred Kirchner (7931 515)

MILAN

Teatro alla Scala 20.00 Alfred Brendel plays Beethoven piano sonatas. Sun: Stanislav Bunin piano recital. Oct 12-22: Cristoforo Colombo, ballet choreographed by Alberto Mendez, music by Donizetti. Oct 19: Yuri Temirkanov conducts St Petersburg Philharmonic. Oct 25: Cecilia Bartoli song recital. Oct 27-31: Nurevey production of Nutracker (7200 3744)

NEW YORK

OPERA

Metropolitan Opera Madama Butterfly tonight and Fri, Falstaff tomorrow and Sat afternoon, Un ballo in maschera on Wed and Sat evening, and Les Contes d'Hoffman with Domingo on Thurs. The world premiere of Philip Glass's The Voyage takes place next Mon. (362 6000)

State Theater has City Opera productions of Carmen on Wed and Sat, Die Zauberflote on Thurs and Sun afternoon and Blitzstein's 1949 Broadway opera Regina on Fri (870 5570). The Glass/Wilson music theatre piece Einstein on the Beach can be seen at Brooklyn Academy of Music from Nov 19 to 23 (718-636 4100)

CONCERTS

Avery Fisher Hall Kurt Masur conducts the New York Philharmonic tonight at 18.45 in Kodaly's Hary Janos suite and the Gorchakov orchestration of Musorgsky's Pictures from an Exhibition. Thurs, Fri morning, Sat and next Tues: Erich Leinsdorf conducts an all-Stravinsky programme. Sun afternoon: James Galway recital. Oct 15, 16, 17, 20: Garrick Ohlsson plays Grieg's Piano Concerto. Oct 22, 23, 24, 27: Masur conducts Beethoven. Oct 28: Roger Norrington conducts Orchestra of St Luke's (875 5030)

Carnegie Hall Giuseppe Sinopoli conducts the Philharmonia Orchestra on Sat evening and Sun afternoon. The first programme is all-Tchaikovsky, with Itzhak Perlman soloist in the Violin Concerto, and the second is devoted to Mozart and Mahler. Sun evening: Anne Sophie Mutter recital. Next Mon: Rafael Fruhbeck de Burgos conducts National Orchestra of Spain. Oct 17, 18: Charles Dutoit conducts the Montreal Symphony Orchestra. Oct 19, 21: Muti conducts the Orchestra of La Scala (247 7800)

DANCE

Elisa King and Dancers return to **St Clement's Church** with two programmes from Wed to Sat this week and next (423 West 46th St, 924 0077).

VIENNA

OPERA

Staatsoper Marcello Viotti conducts tonight's performance of L'elisir d'amore, with Roberto Alagna and Rolando Panerai. Tomorrow and Sun: Maria Stuarda with Baltsa and Zampieri. Wed: La fille mal gardée. Thurs: La boheme. Fri: Der Rosenkavalier with Gwyneth Jones. Sat: Tosca. Oct 14: Christoph von Dohnanyi conducts first night of Adolf Dresen's new production of Das Rheingold. Oct 20 and 24: Jose Carreras sings Alfredo in La traviata (51444 2960)

CONCERTS

Musikverein Tonight's concert by the flautists of the Vienna Philharmonic features works by Bach, Mendelssohn, Debussy and others. Tomorrow: Claudio Scimone conducts I Solisti Veneti. Thurs, Fri, Sat and Sun evening: Jukka Pekka Saraste conducts Vienna Symphony Orchestra, with Radu Lupu soloist in Beethoven's First Piano Concerto. Sun morning: Nikolaus Harnoncourt conducts Mozart. Next Tues: Alfred Brendel piano recital. Oct 17 and 18: Andre Previn conducts Vienna Philharmonic. Oct 28: Frans Brüggen conducts Orchestra of the 18th Century (505 8190)

Konzerthaus Satie et Les Six: a series of concerts on this theme begins tonight and tomorrow with the Orchestre National de Lille (505 6356). Fri: Mikhail Pletnev conducts the Russian National Orchestra in works by Scriabin and Tchaikovsky, with piano soloist Ivo Pogorelich. Sun afternoon: Hakan Hardenberger trumpet recital. Sun evening: Peter Eötvös conducts a Charles Ives programme. Oct 14 and 15: Eliahu Inbal conducts Shostakovich. Oct 19: Ann Murray song recital. Oct 25: concert performance of Giordano's Fedora with Renata Scotto (712 1211)

ZURICH

OPERA

Opernhaus Montserrat Caballé has cancelled her performances in Semiramide (tomorrow, Thurs and Sat) and the title role will now be sung by Maria Dragoni. Wed: Der Rosenkavalier. Fri: Il Pirata with Mara Zampieri. Sun: Die Zauberflote. Georges Prêtre conducts an orchestral concert on Sun morning and next Mon evening (262 0909)

CONCERTS

On Wed at the **Tonhalle**, Janos Furst conducts the Tonhalle Orchestra in works by Dvorak and Tchaikovsky. Sun: Alfred Brendel plays Beethoven. (261 1600)

THEATRE

The **Schauspielhaus** repertory includes Peter Wood's production of A Midsummer Night's Dream, and Thomas Bernhard's play Before Retirement (265 5858)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly - global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN
0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES

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Monday October 5 1992

Appreciating the yen

THE TIDES from Europe's recent currency turmoil are washing up against Japanese shores. But the Bank of Japan would be well advised to keep its sights firmly on Japan's own economic problems. With the economy still weakening, a further cut in the discount rate is already overdue on domestic grounds. But any calls for the Bank of Japan to halt, rather than merely smooth, the appreciation of the yen should be resisted.

The rise in the value of the yen against both the dollar and the D-Mark over the past few weeks is understandably unwelcome for Japanese companies. Yet the rise is not merely a short-term spin-off from Europe's difficulties, but a necessary part of the adjustment process after the excesses of the last few years.

Over-investment in domestic capacity has left Japan with a distorted domestic economy and a high and rising current account surplus. Only through a higher yen can Japan produce the capital outflow needed to balance this current account surplus and encourage Japan's consumers to buy more imports.

There is little that policy can, or should, do to ease the corporate sector's pain. What it can do is encourage other sources of activity, other than investment or exports, to promote growth and soak up labour. That is why the recent Y10,700bn fiscal package of infrastructure spending was so timely. That is also why the supplementary budget needed to allow this spending should be enacted as fast as possible.

Still, the current problems of the corporate sector are not the only, or the most serious, threat to Japanese economic prospects. More worrying is the scale of the bad debts, caused by the continuing collapse in land prices, that look likely to cripple the ability of Japanese banks to speed economic recovery when investment finally starts to recover.

Policy has not done enough to address this problem. The stock market has rallied in the belief that the authorities are committed to providing more than just words and accounting fiddles. But while August's package promised much, it has so far produced little of substance. The desire of the Ministry of Finance to avoid using public money to bail out the banking sector is understandable but misguided. The banks must be seen to suffer for their past errors. But without some injection of public money to bail out the banking industry, a sizeable economic recovery will not materialise soon.

The Ministry of Finance cannot afford to wait for another collapse in share prices before it acts. The proposed land-buying agency, currently being organised by the banks, is the best way to inject liquidity into the land market and speed the painful process of writing down the bad debts. But to be effective, this agency needs much more capital than the banks are in a position to provide.

The Japanese government should pledge now that low-cost loans, most likely from the Bank of Japan, will be provided once the agency is established. The Bank of Japan currently has plenty of room to boost bank profitability and to stimulate activity by steepening the yield curve. Inflation is low, the economy is depressed and the appreciation of the yen represents a *de facto* tightening of monetary policy. It should cut short term interest rates at once.

Brooke's Opera

"A VISIT backstage in the Royal Opera House is like stepping back into the 19th century. The glamour of the Victorian style enjoyed by the audiences is transformed into congestion, dust and overloaded facilities behind the scenes." So wrote the Priestley report in its financial scrutiny of the ROH, published in 1984. Priestley recommended better financial management, better planning and the furtherance of a long-term development plan.

Almost a decade later, not much has changed. The Opera House is still in deficit – to the tune of about £3m: the redevelopment plan remains a will-o'-the-wisp; and it is unclear to anyone what will happen next, not least whether the government will come to the rescue.

Last week the ROH released summaries of two reports on its future. One was by the accountants Price Waterhouse and recommended – yet again – better management. The other was commissioned by the Arts Council and undertaken by Baroness Warnock. The most striking fact in what is known of her report is that she recommended that the development plan in its most ambitious form should be abandoned.

The Opera House has reacted in characteristic fashion by accepting the need for greater efficiency, yet sticking to the development plan which, it hopes, will be met by a mixture of private and public money. The sum mentioned is sometimes as high as £250m.

This is a profoundly unsatisfactory situation, likely to lead to nothing but the prolongation of uncertainty. The time has come, therefore, for someone to take the lead at the highest level. That can only mean the central government. There is now a new national heritage secretary in Mr Peter Brooke. He has the opportunity to devote his first few weeks in office to sorting out the mess.

Mr Brooke should say that the government will repair the deficit, but that the grandiose development plan should be ditched. He should insist that good intentions about better management and budgeting are put into practice, offer to put up some of the money – perhaps £15m – for the internal modernisation of the house as recommended by Lady Warnock and tell the ROH to go ahead as soon as practicable.

It is sometimes said that even internal redevelopment will take more than a year. Sceptics should remember one of the lessons of the Falklands war. In emergency, it turned out to take about a tenth of the time to refurbish a ship that it did in normal circumstances. That is the sort of approach required for the crisis at Covent Garden.

Gatt this week

THE US and the EC are threatening a trade war. The Gatt system for managing trade according to internationally accepted rules is precariously poised. The time available to settle deepening conflict is dangerously short. More specifically, if there is no significant breakthrough in farm trade reforms during meetings on October 10 and 11 between US and EC officials, trade will be seriously compromised.

Some trade negotiators may not recognise how dangerous a stage negotiations have reached. EC negotiators may have taken encouragement from the fact that last Thursday's noon deadline set by Washington for a settlement of the EC-US oilseeds dispute passed without the immediate imposition of trade sanctions. If they believe that they have called the US bluff and won, they are wrong.

Thursday's noon deadline was less to do with oilseed sanctions than with the US serving notice that is at the end of its tether with the Gatt dispute settlement system, and is poised to abandon it.

Gatt has twice upheld US complaints over the EC's oilseed subsidy regime. The Community's attempt to settle the dispute by offering general compensation may satisfy Gatt obligations, but it fails to deal with the US domestic pressure for compensation specifically to target oilseed farmers.

The US view is that the Gatt dispute settlement process has been exhausted by the EC's refusal to meet Thursday's deadline to bow to binding arbitration – and it must "draw appropriate conclusions".

The US position may be inconsistent (it too has failed to comply with Gatt panel rulings) but its conclusions are clear – unless there is a Uruguay Round agreement giving the Gatt stronger powers to settle disputes, the US will in future use its strength unilaterally.

The US already shows an alarming preference for Section 301 of its Trade Act, which enables it to impose its own sanctions on countries which it believes are trading unfairly. Most of its trading partners realise that strong multilateral rules are the only protection against the US using its trading might to act as judge and jury in trade conflicts.

While the moral tenor of US comments is tiresome, the general point – that a Uruguay Round settlement is urgently needed to deal with growing strains to the international trading system – must be well taken. The rising tide of disputes such as that over oilseeds can only be properly settled within the context of a wider settlement.

Europe's farm trade regime should never be allowed to ruin the wider potential benefits – in services trade, protection of intellectual property rights, and in improved market access – offered by the Uruguay Round. At the forefront of negotiators' minds this weekend should be that none of the problems the Uruguay Round is intended to tackle will go away if negotiations fail.

The EMS crisis has shaken confidence in Felipe González's economic policies, write **Peter Bruce and Andrew Gowers**

A testing of Spanish mettle

Mr Felipe González, Spain's ever youthful prime minister, has the intense, concentrated air these days of a man who has just stepped back from a precipice after peering over the edge and contemplating the destruction of everything he holds dear.

As he prepares to mark the 10th anniversary of his Socialist government later this month, the prime minister is fighting a desperate battle to re-establish economic confidence in the face of the crisis in the European Community. At home, he has to contend with a currency still under pressure and with financial markets in a state of shock following the 5 per cent devaluation of the peseta within the European Monetary System three weeks ago and the Spanish central bank's reintroduction of capital controls. And in Europe, he is struggling to preserve Spain's position at the heart of the Community, the foundation stone of the country's efforts to modernise its economy and consolidate democracy since it joined the EC in 1986.

Mr González knows in his heart that the two battles are inextricably linked. For unless he and his trusted finance minister, Mr Carlos Solchaga, can restore the battered credibility of their domestic economic policies, the peseta will remain vulnerable. And so long as the peseta is under pressure, doubts will grow about Spanish policy.

Will Spain be able to meet the exacting standards required for full participation in the move towards European economic and monetary union? Will it be consigned to the slow lane of a two-speed Europe? Or will it, along with Italy and Britain, simply be blown out of the European mainstream by the markets, with all the debilitating uncertainties which that implies?

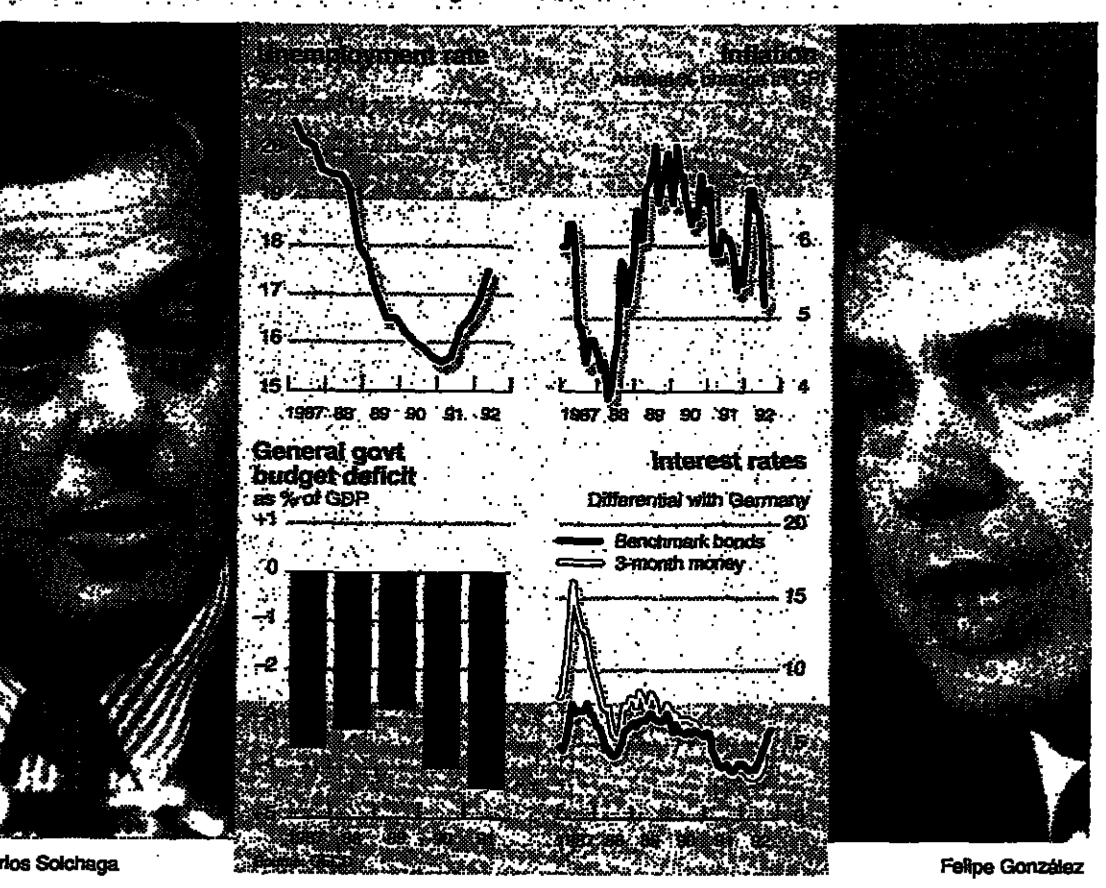
Spain, of course, is not Italy. Its economy is much smaller, and its budget deficit and debts are nowhere near as large. Spain also has the advantage that Italy does not of a stable, single-party government under a charismatic leader who, while his party continues to slide in the polls, still commands strong personal support.

There is just one more problem. A general election is due by October 1993, and the campaign has already begun. Mr González must fight for re-election at a time of slower economic growth than at any time since the mid-1980s, with the highest unemployment rate (17-plus per cent) of any EMS member, and with painful constraints on the public purse.

Doubts persist in some quarters as to whether he has the stomach for it. When they spoke at length to the Financial Times at the end of last week, Mr González and Mr Solchaga were thus at pains to do several things: reassure the markets that they intend to resume the path of economic and financial liberalisation as soon as conditions allow; reaffirm their determination to keep a tight grip on government spending and inflation in order to bring Spain's economy up to the mark for European monetary union (Emu); and warn their EC partners of the dire consequences for Europe and for Spain of any move to create a multi-speed Community.

"It is a very serious thing to do to begin talking about different speeds of European integration simply because we are feeling crushed now by the market turmoil," says Mr González with feeling. "One has to think about it with tranquility. I would recommend not voicing opinions that might have to be changed within three or six months. The sense of insecurity being introduced into the European Community and the international community day after day with questions about whether we can take the Maastricht treaty forward is becoming intolerably expensive politically. What we are doing is irresponsible."

Spain: struggle for credibility



Carlos Solchaga

Felipe González

The prime minister's frustration is understandable. In the 10 days between now and the EC emergency summit in Birmingham, Madrid has a fight on its hands simply to stay in the EMS – the one relatively sure anchor of Spanish economic policy, notwithstanding the effective 11 per cent devaluation the peseta has suffered since July. On the one hand, Mr González and Mr Solchaga are anxious that the Bank of Spain move within the next few days to ease its capital controls, which they fear are severely damaging investor confidence. If it is to do so without triggering a run on the peseta, it may have to raise official interest rates – currently 13 per cent.

On the other hand, the government knows it cannot rely solely on the interest rate weapon. Mr Solchaga is looking urgently for other ways in which the Community might act to restore confidence in the EMS before the Birmingham meeting. He wants his EC colleagues to consider a further realignment of currencies and the pooling of EC central banks' foreign exchange reserves. But with relations between EC finance ministers and central banks poisoned by recent events, he is not all that confident of success.

"In the last few weeks, normal relations among the Community's monetary authorities, among the ministers, have been lost," he says despondently. "It has become more and more difficult to exchange views frankly."

Even if EC countries do begin to improve their co-ordination, it may not fully defuse the attack on the peseta. Rightly or wrongly, the markets are now also questioning the government's ability to control its own budget, prompting the Moody's debt rating agency last week, with cruel timing, to put Madrid's foreign bonds on credit watch.

Neither the prime minister nor Mr Solchaga denies the government has a serious credibility problem. In the last two years, as Spain's long period of economic expansion has tailed off, it has badly overshot its spending targets, disrupting the effort to combat inflation – currently running at more than 6 per cent a year – and reduce interest rates. To make matters worse, there was a perception earlier this year that with trade union unrest increasing over the government's austerity plans, Mr González was under pressure to cut and run, either by calling early elections or by staging an inflationary pre-election boomlet.

Hence the importance of the 1993 budget, which Mr Solchaga presented last Tuesday. Mr González says it is designed to squash such talk and demonstrate his absolute resolve to reduce the public sector deficit.

"I remain to be convinced that there is any electoral advantage to be gained in hiding the truth and not doing what is necessary," he says. "If this was not the case, I would not have presented this budget; I would have called an election. There is always a credibility problem when a government decides to control costs. I am not asking for blind faith. What has to be done is to demonstrate that one is making progress in controlling the deficits, and we are going to do that rigorously and soon and efficiently."

To this end, assuming real growth in gross domestic product of just 0.7 per cent next year after 1.6 per cent this year, the budget aims for a public sector budget deficit equivalent to around 3.6 per cent of GDP, compared with an expected outturn of about 4.5 per cent in 1992. Mr González insists that steep cuts this year in unemployment benefit and the health service – the two main sources of overspending in 1991 and 1992 – mean this target is achievable. The trouble for Spain, as Mr González admits, is that confidence can not be established overnight.

"It will be harder for the Germans to correct their deficits than for Spain," he argues. "But Germany has a reserve of decades of credibility while Spain has to fight for its credibility every month and every year."

Thus far, the best weapon in that fight has been Spain's determination to keep up with its stronger EC partners through the process of economic and monetary union. What makes this moment so particularly worrying for Mr González, long a passionate advocate of European integration, is the fact that this process itself appears to be fragmenting, and that Spain is being lumped with the laggards rather than the leaders.

There is an unspoken conviction at all levels of government in Madrid that a two-speed Europe – with a hard core of currencies grouped around the D-Mark proceeding more rapidly towards Emu – would be a catastrophe not just for Spain but for the Community. Ministers fear that currencies left out of the inner circle would have to be protected by a wall of exchange controls and trade barriers, thus throwing the whole European integration process into reverse.

Mr González's one powerful hope is that this crisis will act as a catalyst *for change*. Already the country's combative trade unions, which had been threatening a general strike this month to protest against unemployment benefit cuts, are drawing back from confrontation. While the prime minister insists he is not trying to engineer a formal incomes policy, he would be delighted if the unions and employers were to find common ground on pay and productivity for next year.

"In moments of crisis in Spain, the unions have always behaved more responsibly and not just in the interests of their own members," he says.

Industrial peace may not be easy to secure in view of the government's decision to freeze public sector pay next year, but it will be critical to the effort to prove Spain is capable of putting its house in order. It would also enable Mr Solchaga to forge ahead with the much-needed structural reforms he promised in April. The finance minister insists he will bring bills to parliament in the next few months initiating deregulation of the labour market, telecommunications, transport, energy and the professions.

None of these reforms, however, will be possible without Mr González's commanding and committed presence at the head of both the government and the Socialist party. There is no alternative leader at present, within or outside the Socialist party, but without him all bets on Spain's economy would be off. Will he stay to fight for re-election next year? His answer is less equivocal than on some recent occasions.

"People who know me say I respond better to difficult situations than to easy ones. How do we translate this into politics now? Look, I do not usually give up when things get tough."

Mr González is wiser, and Spain is much richer, since they last stood together on a precipice during the industrial crisis which engulfed the country in 1983. At least on this occasion, with the European Community as a whole in ferment, he has the consolation of knowing that this not Spain's crisis alone.

Samuel Brittan

Early end to puerile joy

Since John Major spoke about the need to repair the "fault lines" in the European Monetary System, there has been some back-pedalling. No real British reform plan is likely to be presented to the Birmingham Euro-summit, and the emphasis has changed to the need for so-called economic convergence.

Meanwhile, Norman Lamont's singing in the bath is likely to change to sobbing in the sink unless the fall in sterling is soon arrested. Amid the puerile rejoicing of the Euro-sceptics it is not yet realised quite how far sterling has fallen since Britain's humiliating departure from the ERM.

The situation is reminiscent of 1986, when, as I then pointed out, sterling was allowed to fall far too much under the pretext of a drop in the oil price; and the groundwork was laid for the boom and bust cycle we have suffered ever since.

The big difference is that the 1986 depreciation took place in fits and starts over a whole year. This time the process has been compressed into weeks or days – rather in the way that the long drawn-out themes of a Bruckner slow movement are sometimes then compressed into a brief, frantic scherzo.

Meanwhile the Treasury is trying to work out some monetary guidelines on the assumption that the UK is outside the ERM. Indeed one school of thought there is against Britain returning to the ERM except in the context of a commitment to full monetary union – which is as likely in present political circumstances as Norman Lamont dancing a Scottish reel in the middle of *Downing Street*.

The pound has been hit by the unseemly row with the Bundesbank and disappointment at unrealistic hopes of a German interest rate cut last Friday. At the end of last week sterling had fallen by nearly 18 per cent on the previous DM2.95 parity. This has more than corrected for any element of overvaluation in the latter and will nearly all work its way into domestic inflation.

The best market indicator of expected inflation is the gap between high coupon long-dated gilts and the indexed variety. This has widened from well under 4¾ per cent to over 5½ per cent – higher than it was before the election which Labour was expected to win. Forget further early interest rate cuts over and above the foolish reduction made after ERM departure. The government will be lucky to avoid a base rate increase before the Tory conference is over.

Norman Lamont is likely to be sobbing in the sink unless the fall in sterling is soon arrested

Unfortunately, it is becoming clear that ministers are being economical with the truth in their assertions that the UK did everything possible to remain in the ERM. They did not raise interest rates when pressure on sterling built up in August and some officials were recalled from holiday. They did not even raise them following the lira devaluation; nor even as late as the afternoon of Tuesday, September 15, when the pressure on sterling began to be unbearable. Even on the final Wednesday morning they procrastinated for several hours. The comparison with the actions of the French and Swedish governments speaks for itself. We still do not know how far the government ignored advice from the Bank of England and how far that advice itself was flawed.

It is in any case now clear that the PM and chancellor were not prepared to raise interest rates in a recession, even temporarily, for the longer-term gains of staying in the ERM. It was in that case culpably foolish to rely on hypocritical drum-beating speeches to produce a contrary impression. The government had plenty of time for a planned temporary withdrawal before the highly visible benchmark of the French referendum.

Alternatively it could have responded to Bundesbank pleas for realignment, which every half attentive journalist had been hearing for at least two years and which Helmut Schlesinger personally conveyed to a high-ranking British dignitary – who passed it on to John Major – several weeks before the final storm.

Of course all is not well in an ERM, three of whose members have devalued or withdrawn. A grown-up decision is needed on whether it is to be an adjustable band, or a permanent fixing of exchange rates with a view to a single currency, or a two-speed mixture.

British officials also have some valid technical points – such as the failure of the divergence indicator to flash for large creditor currencies to whom smaller currencies are tied, or the fact that Germany did not have intervention obligations so long as the Belgian franc was 5 basis points higher in the grid.

More important is said to be the need for compatible combinations of monetary, exchange rate and fiscal polices among members. But when the British make such suggestions, they sound like people throwing large stones in thin glass houses. The UK joined the ERM two years ago without any attempt at negotiation either of the entry rate or accompanying policies. The joys of sinking outside are fast disappearing. But the real question is the conditions on which other members will have Britain back.

Transport safety and the high price of human life

Richard Tomkins on the sensitive question of whether too much is spent on reducing the risks of travelling by public transport

It is a hard question to ask after air disasters like last night's crash in Amsterdam and last week's in Nepal: but is there a limit to how much should be spent on transport safety?

The instinctive answer is that no sum can be too high if it results in the saving of a human life. In Britain, however, a body of opinion is daring to argue not only that a limit exists, but that in some cases it may have been reached.

Britain's current attitudes to transport safety were shaped by a series of horrific transport disasters in the late 1980s, such as the Clapham rail crash and the London Underground fire at King's Cross. These were followed by reports demanding hundreds of millions of pounds' worth of measures to improve transport safety.

The spending duly came, and has continued since. Last year, for example, British Rail spent £225m on safety projects, equivalent to more than 10 per cent of total passenger receipts. London Underground's outlay of £120m was, proportionally, higher still at nearly 20 per cent of sales.

Even at these levels, safety spending is sometimes criticised as inadequate. But ministers, fearful of the political consequences, dare not question the sums it absorbs. On the contrary, they publicly insist that no safety project put forward by BR or London Underground is ever refused.

Last month, however, came a watershed when Mr Brian Appleton, a retired industrialist, produced a report for the Health and Safety Executive on the Underground's response to fire and bomb alerts.

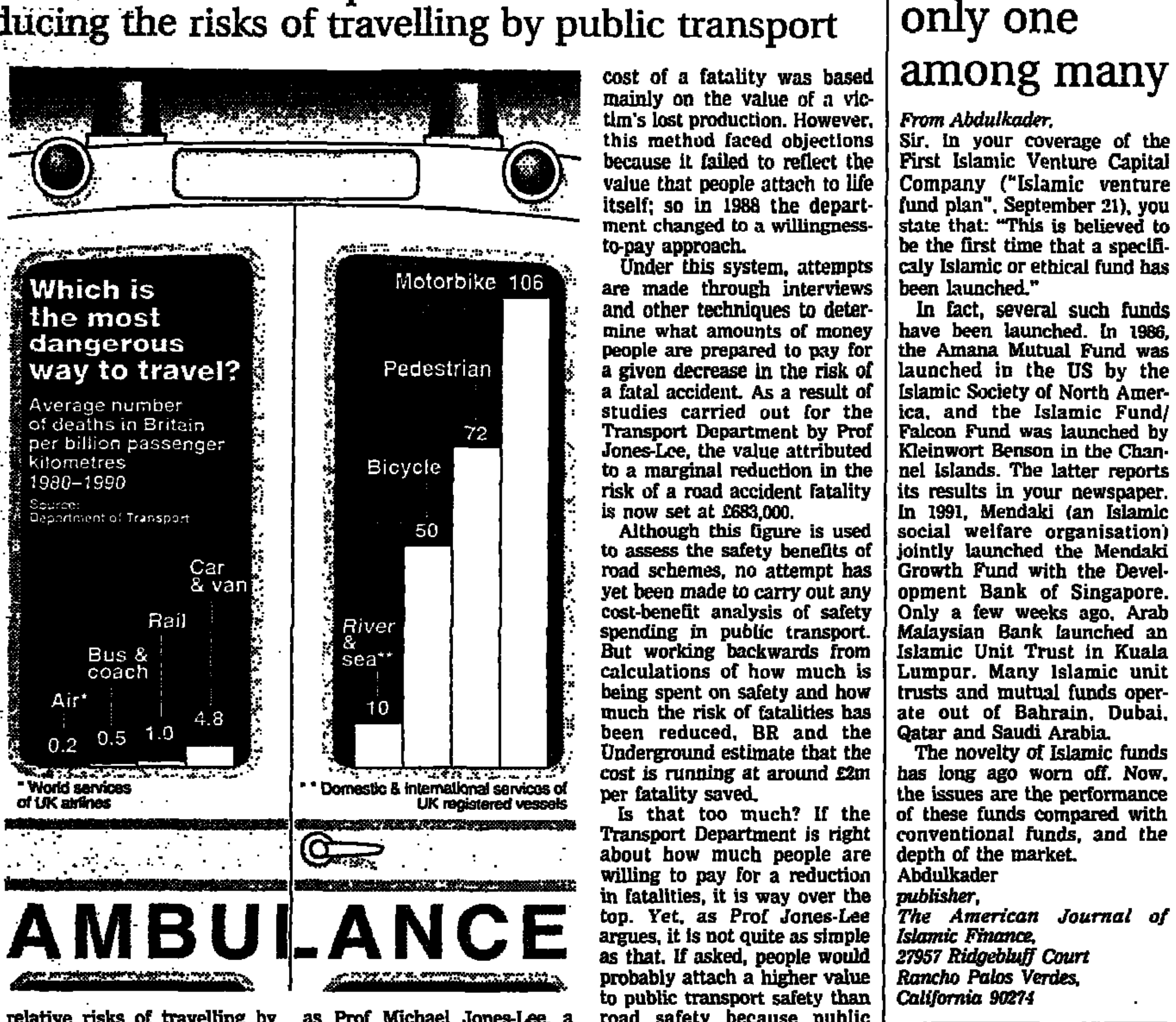
One of Mr Appleton's conclusions was that the risk of station fires on the Underground had been so greatly reduced since the King's Cross disaster that further spending on fire precautions could not be justified. The money would be better spent on, say, new signalling systems to reduce the hazard of train crashes.

This was not the same as saying that safety spending overall should be cut. Nevertheless, the report broke new ground by acknowledging that there may come a point in any area of safety where risks become tolerable and further spending is wasted.

Emotional responses aside, the argument has logic. There is, after all, no such thing as total safety: even lying in bed has its hazards (the ceiling might fall in, or an electrical fault could set the house on fire). What matters to people is that the level of risk should be acceptable in relation to the benefits derived.

One example of this principle is people's attitude towards the relative risks of travelling by car, bus or train. Most people know that it is far safer to travel by public transport than by car, yet they are prepared to accept the greater risk of car travel for the benefits of comfort and convenience it brings.

This is not to say that public transport, already very safe, could not be safer still. The trouble is, further progress is becoming ever more expensive.



The instinctive answer is that no sum can be too high if it results in the saving of a human life

This is because, over the years, the cheapest and most effective options for cutting casualty rates have gradually been used up, so that each progressive advance in safety saves fewer lives at greater cost.

This might matter little if money for safety came out of a bottomless pit. But the constraints on BR's financial resources mean that every pound spent on safety is at the expense of investment in other things valued by passengers, such as faster and more reliable trains, or lower fares.

So how can we be sure that money spent on safety is being spent wisely? Economists such as Prof Michael Jones-Lee, a specialist in transport safety at Newcastle University, say the answer is to give safety benefits a monetary value so that they can be properly evaluated against other options for the allocation of resources. This, however, requires some sort of value to be put on the cost of a human life.

Obnoxious as this concept may appear, it has been with us for years. Courts, for example, award compensation for the loss of loved ones (and their income streams), and the National Health Service is constantly required to decide whether it can justify the cost of carrying out expensive life-saving operations.

In fact, the Department of Transport has quietly been putting a monetary value on the cost of human casualties since 1968. It uses the figures to put a value on the safety benefits of road schemes, so helping it decide whether the costs of schemes are justified.

In the early years, the department's calculation of the cost of a fatality was based mainly on the value of a victim's lost production. However, this method faced objections because it failed to reflect the value that people attach to life itself; so in 1988 the department changed to a willingness-to-pay approach.

Under this system, attempts are made through interviews and other techniques to determine what amounts of money people are prepared to pay for a given decrease in the risk of a fatal accident. As a result of studies carried out for the Transport Department by Prof Jones-Lee, the value attributed to a marginal reduction in the risk of a road accident fatality is now set at £683,000.

Although this figure is used to assess the safety benefits of road schemes, no attempt has yet been made to carry out any cost-benefit analysis of safety spending in public transport. But working backwards from calculations of how much is being spent on safety and how much the risk of fatalities has been reduced, BR and the Underground estimate that the cost is running at around £2m per fatality saved.

Is that too much? If the Transport Department is right about how much people are willing to pay for a reduction in fatalities, it is way over the top. Yet, as Prof Jones-Lee argues, it is not quite as simple as that. If asked, people would probably attach a higher value to public transport safety than road safety because public transport requires them to yield their fate to the care of another party. People are also inherently averse to being involved in an air, sea, rail or Underground crash because of the fear that their doom may be certain and ghastly.

If anything is clear about the levels of safety spending in public transport, it is that no one knows what they should be. But BR and London Underground both privately acknowledge that the cost of some safety measures – for example, some of the more elaborate fire precautions required by law in the wake of the King's Cross fire – is out of all proportion to the tiny reductions in risk they produce.

Instilling a rationale into safety spending need not be particularly difficult. If only the Transport Department would commission a study into what levels of safety were required of public transport and how much people were prepared to pay for them, implementation would be easy. BR and London Underground would welcome such a move: so, too, might the government, if it found itself saving money. It could, however, prove harder to sell to the electorate: and harder still after the next transport disaster.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Islamic fund represents only one among many

From Abdulkader.

Sir, In your coverage of the First Islamic Venture Capital Company ("Islamic venture fund plan", September 21), you state that: "This is believed to be the first time that a specificaly Islamic or ethical fund has been launched."

In fact, several such funds have been launched. In 1986, the Amana Mutual Fund was launched in the US by the Islamic Society of North America, and the Islamic Fund/Falcon Fund was launched by Kleinwort Benson in the Channel Islands. The latter reports its results in your newspaper. In 1991, Mendaki (an Islamic social welfare organisation) jointly launched the Mendaki Growth Fund with the Development Bank of Singapore. Only a few weeks ago, Arab Malaysian Bank launched an Islamic Unit Trust in Kuala Lumpur. Many Islamic unit trusts and mutual funds operate out of Bahrain, Dubai, Qatar and Saudi Arabia.

The novelty of Islamic funds has long ago worn off. Now, the issues are the performance of these funds compared with conventional funds, and the depth of the market.

Abdulkader
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World Bank commercial lending cue

From Mr Nigel Wilkins.

Sir, Michael Prowse's reflection on the worldwide cutbacks in overseas aid budgets ("The twilight of foreign aid", September 28) implies that commercial sources of finance are readily available to make good the shortfall in official funding for the developing countries.

In fact, the decline in commercial lending has been so severe that, since the onslaught of the debt crisis 10 years ago, net flows of commercial capital with the developing countries have been negative. The reduction in official aid flows will create something of a dilemma for the World Bank, but there is more that it could do to promote lending from commercial sources.

The bank's Expanded Cofinancing Operations (ECOs) do not go far enough to induce the commercial banks to participate, despite the latter's excellent repayment record.

Nigel Wilkins,
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Figures point to human benefits and real savings of community care

From Mr M J Dawson.

Sir, I was interested to read Maggie Urry's article on the nursing home sector and the changes occurring in the care market with implementation of Care in the Community ("Costings are tight in an ageing market", September 23).

Some of the issues which the article addresses should be looked at in the context of the whole caring market and Community Care.

The NHS and Community Care Act will be implemented by local authorities over a period of 10 years from April 1, 1993.

The article implied that there was apprehension about the Act and that the industry was unsure about how best to put it into practice. However, in Tunstall's experience, most of the authorities are well down the road in determining their own strategies for implementation and have submitted detailed plans already.

The Act's principal aim is to promote the development of services which enable people to remain in their homes wherever that is feasible or sensible.

Although Maggie Urry states that the top nursing home companies have only 4 per cent of the total market, it must be remembered that this market also constitutes residential homes, sheltered housing, NHS long-stay hospital wards, and home care.

It will be the responsibility of local authority care managers to allocate funds to these different sectors, while providing individuals with maximum choice.

Public expenditure on community based care in England is now a third greater than that spent on the hospital service. The government has pledged to increase the proportion of public expenditure which is directed towards caring for people in their own homes.

Figures compiled by Professor A. Tinker show that the cost of caring for someone in their own home is £1,000 a year less than residential care and almost £15,000 a year less than hospital care.

The Public Accounts Committee's 26th report, published in November 1988, highlighted that almost 25 per cent of those receiving benefits for residential care could have remained in their own homes had community support services been available.

The NHS and Community Care Act is now well underway and companies such as Tunstall are working with local authorities to ensure a smooth and efficient transition from next April.

M J Dawson,
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Conflict fails to survive translation

From Mr Klaus D. Leith.

Sir, James Morgan must have slipped a few pages in his dictionary or succumbed to a Freudian mis-translation in rendering "Es ist doch kein Krieg" as "It's not a war yet" ("As they say in Europe", September 26).

He seems to have confused "doch" with "noch", which makes for an entirely different meaning.

What the Bundesbank official is quoted as having said is precisely this in English: "This isn't a war after all".

That translation is not nearly as spectacular as a statement and it certainly does not carry the connotation that the Bundesbank is "spoiling for a fight", as the mis-translation suggests.

Anecdotal evidence suggests to me that some people in Britain are positively heartened by war-like allusions to political or economic clashes with Germany.

Such allusions no doubt serve as reminders of Britain's greatness and past superiority.

The current Anglo-German "war of words" is surely going to escalate now that some German officials appear to have hit upon a commemoration of the V2 rocket development as a riposte to the Harris memorial.

A quality paper should perhaps take care not to support this war with the journalistic equivalent of dumdum ammo.

Klaus D. Leith,
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Germany

Latin America has coffee gene diversity

From Mr Thomas Fleming.

Sir, The article "Harvesting a cornucopia" (Technology, September 18) highlights a statement that "all the coffee in Latin America comes from one original tree brought from Africa. This kind of narrow gene base makes plants extremely vulnerable to being wiped out by disease."

That statement is not correct, because at least two species of coffee, arabica and robusta, were introduced to Latin America, and it has to be improbable that these were the only introductions, especially in the past half century when breeders of most major crops have been working hard to widen the gene base of their breeding material.

The proposition that there was only one tree probably derives from a story that about 1723 a young French officer de Clieu carried one seedling to Martinique from the royal hothouse of Louis XV in Paris. Subsequently, seed from this particular tree was reputedly very widely planted.

That item apart, the content of the article is sound. The rubber plantation industry in the east (not only in Malaysia) was based on only a small number of trees brought from Brazil, but the Rubber Research Institute of Malaysia has for many years been bringing new material collected in the Amazon, through a quarantine station in the Caribbean. A particular concern is to produce high yielding trees which would be resistant to South American leaf blight, a virulent disease which could cause very serious problems if it reached the east.

The world plantation oil palm industry developed from an even narrower gene base than rubber and involved only seed from four oil palms planted in the Botanic Gardens at Bogor in Java in 1848. Here again breeders have been working for many years to widen the base of breeding material.

Thomas Fleming,
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Chancellor's modesty is completely misplaced

From P G Hirsch.

Sir, Why all the criticism of Britain's chancellor? Has he not achieved momentous feats recently? How many chancellors can claim to have cut interest rates by 5 per cent, twice confounded commentators by perfectly executed U-turns, and lost £11,000 a second, all within 24 hours?

Moreover, it is a singularly generous act, on our chancellor's part, to allow the Germans and French to take the lion's share of the glory for these achievements, and to go so far as to understate his own role in bringing about this return to traditional values (such as, for example, a falling pound).

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OBSERVER

Distance no object

■ The use of distance as an excuse for inaction has certainly not diminished since Neville Chamberlain dismissed Hitler's 1938 invasion of the Sudetenland as a quarrel in a "far away country".

But the old excuse has been shunned by Swiss industrialist Stephan Schmidheiny. Outside his homeland, he is best known for his championship of the environment, not least as leader of the Business Council for Sustainable Development at the "earth summit" in Rio in June.

Hence his embarrassment when Observer's colleague in Chile subsequently reported on an iron-pellet plant there belonging to a company in which Schmidheiny has a 30 per cent stake.

The plant was belching out 37 tonnes of iron dust and the like daily, over 50 times the amount permissible in the US, and reputedly harming the local olive groves and sea fishery. Yet far from espousing the attitudes of its Swiss stakeholder, the company was fighting clean-up orders all the way to the Chilean supreme court.

Confronted with the case, Schmidheiny said he'd known nothing about it, but would investigate. Now he's issued a statement on the results. True, it ruminates about the difficulties of implementing sustainable development policies in a country such as Chile. But Schmidheiny promises that the plant will be cleaned up gradually at a cost of as much as $30m.

Heavy burden

■ There are big businesses where the death of a top engineer is hardly noticed. But not the coal industry. The sudden death of Ken Moses, only a few months after he was appointed one of British Coal's two joint deputy chairmen, is a bitter blow not only for his family but for the industry, and the government.

Having graduated from Wigan Mining College, Moses showed that it was still possible for a self-made man to make it from the coal face to the top of British Coal. Although he was one of the hard-nosed managers who helped Sir Ian MacGregor break the coal strike in the early 1980's, he was a passionate believer in the industry and was playing a key role in its privatisation as British Coal's strategic planning director.

With the recent retirement of John Northard and Ken Moses' death, an even bigger burden now falls on Bert Wheeler, the remaining deputy chairman, especially since his chairman Neil Clarke is not an engineer and a newcomer to the industry.

HK Brothers

■ Sir Nigel Broackes, the founder of Trafalgar House, has his critics. But he can't be accused of underestimating the clout of his new, and biggest, shareholder – the Keswick's Hongkong Land. He describes himself as a "minor patrician" compared to the Keswick brothers.

Old Etonian Simon Keswick, chairman of HongKong Land, and his elder brother Henry, chairman of the Jardine Matheson parent, may not be knighted like Sir Nigel and their father, the late Sir William Keswick (a former director of the Bank of England and Governor of the Hudson's Bay Company), but their City connections outclass Sir Nigel's.

Henry is on the board of Sun Alliance, Robert Fleming, Rothmans International and the Daily Telegraph. He and his wife Tessa are well plugged into the Tory party hierarchy – Sir Charles Powell sits on their boards – and they share the same sort of beliefs as Lord Hanson, Sir James Goldsmith and Garry Weston. Simon, recently given a seat on the Hanson board, is a bit more raffish and apart from being a member of the Queen's Body Guard for Scotland, is a Tottenham Hotspur fan, according to his Who's Who entry.

If you count the other brother – Hambros Bank chairman "Chips" Keswick – then one begins to feel a certain sympathy for the underdog in the coming contest.

"I'm a Euro-bankrupt"

Norman's turn?

■ Will history repeat itself? Three years ago today the government was embroiled in a political row about the ERM. An embattled chancellor of the exchequer (Nigel Lawson) had to raise interest rates by 1 per cent, to a record 15 per cent, in a desperate bid to stem a run on the pound. It didn't work and on the eve of the Tory party conference the pound fell by 6 pfennigs.

This time round there is an even bigger ERM row, the pound is sinking fast and, like last time, there are increasing calls for the chancellor's resignation. True, interest rates have not been raised (yet). But a fortnight after Nigel Lawson's 1989 speech to the Tory party faithful, he had quit despite an impassioned plea from his deputy, Norman Lamont, who wrote "please don't do it. It isn't necessary."

Those who believe that history repeats itself will be watching tomorrow's Daily Mail. It filled its front page on the opening day of the 1989 conference with a banner headline calling for Lawson to go.

Poet's pointers

■ As tomorrow's 100th anniversary of the death of the poet Tennyson coincides with the opening of the Conservatives' annual conference, Observer has combed the bard's works for pointers to help the Tory delegates in their debates.

Only three have emerged, the balance being in favour of the Euro-sceptic persuasion – particularly this extract from an ode on the opening of parliament on February 3 1852:

As long as we remain, we must speak free,
Tho' all the storm of Europe on us break;
No little German state are we...

More sinister, for John Major at least, may be the couplet in the poem Hands All Round, which reads:

That man's the true Conservative,
Who lops the moulder'd branch away.

As for the premier's supporters, all there is to encourage them is a single line from Locksley Hall:

Better fifty years of Europe than a cycle of Cathay.

Professional

■ What's the difference between the Bank of England and VfB Stuttgart football club?

Stuttgart has more foreign reserves.

FINANCIAL TIMES
Monday October 5 1992

The British-built Nissan that costs $5,000 less in Japan

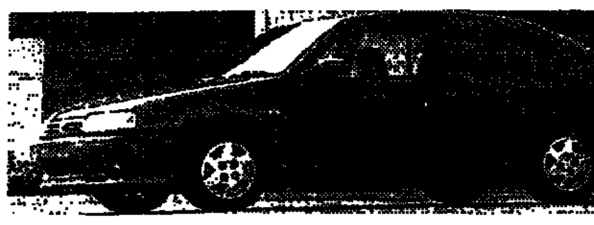
Kevin Done traces the price-cutting journey of a Nissan Primera

A JAPANESE car made in Sunderland and shipped 10,600 miles to Japan costs £2,840 ($5,000) less in Tokyo than a similar model for sale a few hundred yards from the plant in the north-east of England.

The car buyer in Sunderland wanting a new Nissan Primera eGT, built at the £900m car plant near the city, could drive it away from the dealer, Reg Vardy, for £16,215. (That price includes an 11.7 per cent discount).

The racy-looking hatchback is black (a colour option that costs £120) and has air conditioning (a £795 option) to bring it up to the same equipment level as the car on sale in Tokyo. The car has front and rear spoilers, and the buyer has managed to force an 11.7 per cent discount out of the salesman.

In Tokyo a similar Nissan Primera eGT is on sale in the Kudan showroom of the Nissan Prince Tokyo Sales Company. Sunderland's is the only Nissan plant in the world which makesthis model. The Tokyo price is Y2,788,675 (£13,375), £2,840 less than in the UK. Before sterling's steep decline after its withdrawal from the European exchange rate mechanism the Tokyo price was equivalent to only £11,994.



Primera: Made in Britain but cheaper by far in Japan

The car's equipment levels – a favourite justification for divergent car prices around the world – does not explain the difference. The Sunderland buyer gets an electric sun roof (not available in Japan) but the Tokyo buyer gets automatic transmission, a £750 option in the UK. This would have raised the price of the Sunderland-bought Primera eGT even more if it had been available.

This is as true as far as it goes but the prices quoted above include discounts that may be negotiated from dealers – 11.7 per cent at Sunderland's Reg Vardy, and 6.0 per cent at Tokyo's Nissan Prince.

Higher taxes in the UK were not enough to close the gap.

Even if tax is not included the price in Tokyo would be £1,680 less than in the UK – £11,490 versus £13,170.

Last week a study by Ludvigsen Associates, the UK-based automotive analyst, claimed that European car buyers were paying as much as 30 per cent more for new cars than consumers in the US and Japan.

Ludvigsen said inefficiencies in the European motor industry were one of the basic reasons for this difference.

Nissan, which pioneered Japanese car production in Europe with its UK plant, says there are "many factors" behind the price differences but "the most important is the overall pricing in the particular market".

"New car prices in Japan are relatively low because during the years of consistent growth in demand manufacturers have been able to offset increased costs against rising production volumes. Prices have consistently risen at less than the rate of inflation. Japanese inflation has been between 2 and 3 per cent for a number of years.

"By contrast the market leaders in the UK, which are also necessarily the price leaders, have in many years raised prices by more than the rate of inflation. This has inevitably caused the general pricing level in the two markets to widen."

Additional reporting by Robert Thomson in Tokyo and Chris Tighe in Sunderland.

Spain asks EC leaders to focus on unity

By Peter Bruce and Andrew Gowers in Madrid

SPAIN has called on European Community leaders meeting at next week's summit in Birmingham, UK, to focus on restoring EC political unity rather than become bogged down in debate over the exchange rate mechanism.

In an interview with the Financial Times, Prime Minister Felipe González warned: "Birmingham will have to give a clear signal that the 12 members, beyond what our individual problems might be, have common interests and are prepared to say so – I was going to say in a friendly way, but even that is not necessary."

Madrid is extremely concerned that political and technical divisions between Germany and Britain, which has the EC presidency until the end of the year, might spill over into the summit.

It is also worried that currency speculators might view anything less than a firm renewal of EC political commitment to the economic and political objectives of the Maastricht treaty as a further opportunity to attack the ERM's weaker currencies.

"If there has to be a discussion on the current situation of the monetary system, it will have to be sufficiently prepared and mature enough to reflect a united posture," Mr Gonzalez said. "Anything else would transmit a bad message and we have had enough of those already."

Sources in Madrid said London has already suggested to leaders that finance ministers do not attend the summit for fear their presence will dilute the political focus of the meeting.

Nevertheless, the EC's monetary committee, which administers the ERM, would discuss ways to reform or strengthen the currency grid before the Birmingham summit.

The Spanish leader said he did not believe Britain's presidency of the EC during the currency turmoil had been deficient. "There has been a lack of co-ordination...perhaps a lack of leadership but we leaders are, all of us, responsible for it. We have made the mistake of renationalising our political attitudes when it is clearer than ever that interdependence has increased."

Spain may be forced to raise its official interest rate from 13 per cent this week to match demand for higher yields on the public debt it needs to issue in order to raise about $17bn in new deficit financing by the end of the year.

Madrid considers interest rate rise, Page 2
Testing of Spanish mettle: Felipe González interview, Page 14
Bonds, Page 20

Getting it right on the mike: President George Bush makes adjustments before giving a speech in Orlando, Florida. Test for Bush veto powers, Page 2; Risk of a triple dip, Page 32

Mozambique's leaders agree to end 16 years of civil war

By Haig Simonian in Milan

PRESIDENT Joaquim Chissano of Mozambique and Mr Afonso Dhlakama, the leader of the rebel Mozambique National Resistance (Renamo) movement, yesterday signed a treaty ending the country's 16-year civil war, which has crippled it economically and left over 1m people dead.

The treaty, signed at the Italian Foreign Ministry in Rome, marks the end of the last big conflict in southern Africa, which began shortly after Mozambique's independence from Portugal in 1975.

The two sides agreed to a ceasefire, which should come into force as soon as the treaty is approved by the Mozambique parliament later this week.

Under the terms of the deal, weapons will be handed over to the United Nations and all armed groups are to be disbanded within six months. A restructured armed force is to be created, made up of around 30,000 fighters taken equally from both sides.

The Mozambique army and rebel forces must assemble at pre-determined locations around the country within a month of the treaty being ratified. To encourage fighters to participate, UN soldiers supervising the ceasefire will hand out food supplies at the assembly points.

Big aid donors to Mozambique will meet for a conference within a month, while Zimbabwean soldiers guarding two strips of territory between their landlocked country and Mozambique's ports will have to leave in the same period.

At a formal ceremony at the Rome ministry, Mr Chissano heralded the beginning of a "new era" for Mozambique. After signing the agreement in the presence of guests including Mr Pik Botha, South Africa's foreign minister, and President Robert Mugabe of Zimbabwe, he and Mr Dhlakama shook hands.

Mr Chissano said general and presidential elections would take place in Mozambique and called on UN representatives to help supervise the peace and electoral process. The deal ends negotiations which began in July 1990 and reached agreement on limited ceasefire six months later.

Since then, further rounds of talks have, with periodic interruptions and walk-outs, brought further accords on electoral and military issues, culminating in a first direct meeting between the two leaders in Rome in August.

Japanese recovery plan

Continued from page 1

rowing at the height of the recession proved difficult to reduce once the economy had recovered because of political opposition to cuts in public spending.

Within the broader financing debate, Mr Tsutomu Hata, the finance minister, is coming under pressure to consider plans for an income tax cut financed by higher consumption taxes.

Although the Ministry of Finance would favour higher indirect taxes, it recognises such a move would be extremely unpopular.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	S	16	61	Frankfurt	S	17	63	Majorca	F	16	61	Oporto	S	18	64	Tenerife	S	26	79
				Brussels	S	14	57	Geneva	C	13	55	Malaga	F	23	73	Oslo	S	11	52	Tokyo	S	27	81
				Budapest	F	17	63	Gibraltar	S	21	70	Malta	S	27	81	Paris	C	11	52	Toronto †	S	4	39
Ajaccio	R	18	64	Buenos Aires	F	18	65	Glasgow	C	13	55	Manila	C	32	90	Prague	F	15	59	Tunis	S	29	84
Algiers	T	15	59	Cairo	S	32	90	Helsinki	C	9	48	Melbourne	R	14	57	Reykjavik	C	8	46	Valencia	F	21	70
Amsterdam	S	15	59	Cape Town	S	27	81	Hong Kong	F	31	88	Mexico City	C	21	69	Rhodes	S	26	79	Venice	R	15	59
Athens	F	25	77	Caracas	F	28	82	Innsbruck	C	15	59	Miami †	S	28	82	Rio d'Janeiro	C	32	90	Vienna	C	15	59
Bahrain	S	32	90	Casablanca †	C	21	70	Inverness	S	14	57	Milan	R	14	57	Rome	F	23	73	Warsaw	S	12	54
Bangkok	R	29	84	Chicago †	C	15	59	Islamabad	F	30	86	Montreal †	S	2	36	Salzburg		-	-	Washington †	C	14	57
Barcelona		-	-	Cologne		-	-	Istanbul	S	24	75	Moscow	C	5	41	S'Francisco †	S	13	55	Zurich	C	13	55
Beijing	S	17	63	Copenhagen		-	-	Jakarta	R	33	91	Munich	C	13	55	Seoul	C	20	68				
Beirut	S	27	81	Corfu	S	25	77	Johannesburg	F	26	79	Nairobi	F	25	77	Singapore	F	30	86				
Belfast		-	-	Dallas †	S	13	55	Lisbon	S	19	66	Naples	C	23	73	Stockholm	F	12	54				
Belgrade		-	-	Dublin	F	14	57	London	F	15	59	Nassau	C	31	87	Strasbourg	C	15	59				
Berlin	S	14	57	Dubrovnik		-	-	Los Angeles †	S	16	61	New Delhi	S	33	91	Sydney	R	17	63				
Biarritz	C	16	61	Edinburgh	S	13	55	Luxembourg	F	14	57	New York †	S	16	61	Taipei	F	32	90				
Bombay	S	32	90	Faro	S	23	73	Madeira	F	23	73	Nice	C	15	59	Tangier	F	20	68				
Bordeaux	C	16	61	Florence	C	17	63	Madrid	F	18	64	Nicosia	S	26	79	Tel Aviv	S	30	86				

Temperatures at midday yesterday
† Noon GMT temperatures
C - Cloudy Dr - Drizzle
F - Fair Fg - Fog H - Hail
R - Rain S - Sunny
Sl - Sleet Sn - Snow
T - Thunder

THE LEX COLUMN

Margin of error

The question of how to measure an insurance company's financial health will no doubt figure prominently in any inquest into Municipal Mutual (MMI). It is clear that tinkering around with the solvency margin – net assets as a proportion of non-life premiums – does not provide a particularly satisfactory solution. Premium income can be an unreliable proxy for risk in a competitive pricing environment, while the ratio as presently calculated fails to take into account the gearing effect of any movement in investments or claims reserves. At the end of 1991, for instance, investments and reserves amounted to respectively four and three times the combined shareholders' funds of the five quoted composites.

Perhaps refinements are possible, such as a more sophisticated weighting of assets as is already done for the banks. Regulators in the US have taken steps in this direction. Risks might also be better differentiated, so that employers' liability, for instance, is given a more demanding rating than other mundane types of business. Quarterly reporting (not least in the light of MMI's delayed and heavily qualified annual report) and verification of claims reserves by qualified actuaries might also help, though there is a danger of adding to companies' administrative burdens.

As things stand, though, the Department of Trade and Industry ought to have sufficient information available, hence suggestions that it was slow to act. The building society regulator, by contrast, seems to be rather more adept at picking up problems before it is too late.

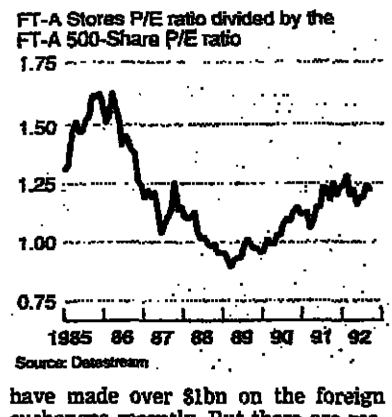
Wall Street

Friday's US employment report may have shown enough strength to convince the Federal Reserve to delay an interest rate cut. But given the continuing deceleration of the US economy, that delay is unlikely to last much beyond tomorrow's meeting of the Fed's open market committee. Even if the equity market may be supported by a rate cut, it has yet to come to terms with the possibility of Mr Bill Clinton winning the election. The recent sell-off in healthcare stocks was some indication of the likely knee-jerk reaction of the markets to a Democratic victory.

Third-quarter earnings figures due in the next few weeks may also be disappointing, with the notable exception of banks, which are thought to have made over $1bn on the foreign exchanges recently. But there are reasons for optimism. Employment in small businesses is rising. So is capital spending. There is just the hint that companies are substituting technology for labour and that the US may eventually experience that rare event, an investment-led recovery.

Stores

FT-A Stores P/E ratio divided by the FT-A 500-Share P/E ratio



Source: Datastream

Japan

A succession of weak economic indicators, a near-30 per cent widening in the August current account surplus and the strength of the yen also point to a further cut in Japan's official discount rate in the not too distant future. The question, though, is one of timing. The worst of the recent economic data – including the 7.6 per cent annual fall in August industrial production announced last week – refer to a period before the Y10,700bn ($89bn) emergency government spending package was announced on August 28. The authorities may wish to see whether this package has had any discernible effect on confidence before they act on monetary policy.

There is admittedly no particular reason that confidence should have risen. The measures will have only a limited impact, and the additional spending is not as generous as it looks. Still more disconcerting is doubt whether a half-point cut in the discount rate, now 3.25 per cent, would give the economy a new lease of life either. Consumer confidence, already jolted by the collapse in the property market, is being further undermined as manufacturing incomes fall in response to cuts in overtime.

Another rate cut might thus be perceived as a sign of weakness, rather than a signal to buy equities. The government may actually want growth. It can also afford to spend to achieve it, but Japan seems locked in a similar spiral to other countries coming to terms with debt deflation. The outlook for corporate earnings is bleak and the fundamental problems of the banks are far from resolved. It is instructive to note that the Nikkei is more than three per cent lower than it was when the fiscal package was announced.

UK retailing

So much for a consumer-led recovery. After the devaluation, British retailers appear a gloomy bunch. Several stores groups, including Kingfisher and Sears, see sales bumping along the bottom, with little prospect of an upturn. Devaluation is more of a burden than a benefit, as price increases in imported goods will be difficult to pass on to consumers in a depressed market. Margins, already under pressure, are likely to be squeezed further. Even the more buoyant August sales figures were largely autumn purchases brought forward as the soggy summer fizzled out.

To combat this, retailers are still focusing on productivity. Electronic systems allowing tighter stock control and more flexible staff working patterns have been introduced by companies such as WH Smith and Boots the Chemist. More intensive use is being made of shop floor space. But measures such as cutting support staff only give a one-off boost to earnings growth. And many of the gains from electronic stock control have already been exploited.

Admittedly, the gloom is not evenly spread. Lower interest rates may help the consumer durables and DIY sectors even in the absence of housing market recovery. These businesses are dependent on better-off homeowners whose spending is affected by mortgage payments. They were the first stores into recession and could be the first out. By contrast, jewellery and fashion retailing appeal to a younger market, which only felt recession as unemployment rose. They will take longer to recover.

In any event, an '80s-style consumer boom is simply not feasible, as any rush of imports would have to be met quickly with higher interest rates. That limits the capacity of stores to lead the way out of recession. The large quoted groups such as Marks and Spencer, Kingfisher, Smiths, Boots and GUS are solid performers. But the sector does not offer the best way to invest for recovery.

FINANCIAL TIMES
COMPANIES & MARKETS
Monday October 5 1992

INSIDE

U-turn leaves new German force intact

When in March this year Germany's federal cartel authorities ruled that that Allianz should scale down its 22.3 per cent stake in Dresdner Bank, the move was seen as an attack at the very heart of the German financial and industrial establishment. Last week, there was a dramatic U-turn, and this leaves the Allianz/Dresdner axis intact as a powerful new force in German banking and insurance. Page 18

Quebecor in European move

Quebecor, North America's second biggest commercial printer, says it is negotiating to buy three printing plants in France, including one formerly owned by Maxwell Communication. Mr Pierre Peladeau, Quebecor chairman whose holding company includes Canada's second largest circulation daily newspaper, said the plants would form a base for a big foray into European printing. Page 18

Gilts feel general malaise

Gilt investors are feeling the full effects of the general malaise over the direction of UK economic policy. Last week long-dated gilts dropped 1½ points as worries piled up about how Britain intends to cope with the loss of its central economic plank in the shape of membership of the European exchange rate mechanism. Page 20

US dollar returns to favour

The US dollar surged back to centre stage in the international bond market as Europe's currency markets cracked under the pressure of the ERM. After the steady decline of the Eurodollar bond — it accounted for more than half of all borrowing in 1989, but had shrunk to only 31 per cent by last year — the renaissance has been startling. Page 21

Brierley extends offer

Brierley Investments Limited, the New Zealand investment company which has made a hostile bid for Gibbs Mew of the UK, has extended its offer for the brewer until October 9. Page 16

Market Statistics

Companies in this issue

Trafalgar to change accounting policy

By Roland Rudd

TRAFALGAR HOUSE, the UK property, construction and engineering group under siege from Hongkong Land, is expected to change its accounting policies following an investigation by the Financial Reporting Review Panel, the new UK accounting standards watchdog.

The outcome of the panel's investigation, which started in February, is also likely to have a significant effect on Trafalgar's results for the financial year to September 30, 1992.

The move centres on £102.7m ($183m) worth of development properties Trafalgar reclassified in 1991 as fixed assets, resulting in a £68m writedown of wholly-owned properties and a £34.7m writedown of associates. If the writedowns had been deducted from the profit and loss account, as the panel is understood to have argued, they would have reduced last year's £122.4m pre-tax profits.

Sir Eric Parker, Trafalgar's chief executive, said: "The group's accounts were the responsibility of the board which have acted with the very best advice from our financial advisers. The accounts were unqualified by our auditor, Touche Ross."

He added: "There are different views within the accounting profession as to how deal with things."

Trafalgar said the panel was already looking at the accounts of another 200 companies and dismissed the incident as having little effect in its fight to prevent Hongkong Land, which has already acquired 14.99 per cent of the group, from taking another 15 per cent by tender this week.

However the panel, which is expected to make an announcement today, says it is investigating the accounts of fewer than 20 companies.

Trafalgar is understood to have accepted the ruling of the panel – to transfer the development properties back into current assets – to avoid going to the High Court, which could have compelled the group to revise its accounts.

Trafalgar will give details of the expected amendments to its accounting practices and policies in a circular to be sent to institutional shareholders tomorrow.

Sir Eric, who was yesterday working on the final details of the circular with senior directors at Trafalgar's London headquarters, said he would try to reassure shareholders that the panel's ruling would not have any effect on the value of Trafalgar's businesses.

Shareholders' funds at the year-end are expected to remain unchanged at £704.6m.

However this year's pre-tax profits are expected to be further dented by new writedowns.

The board still intends to pay a final dividend although it is expected to be severely cut from last year's 9.6p.

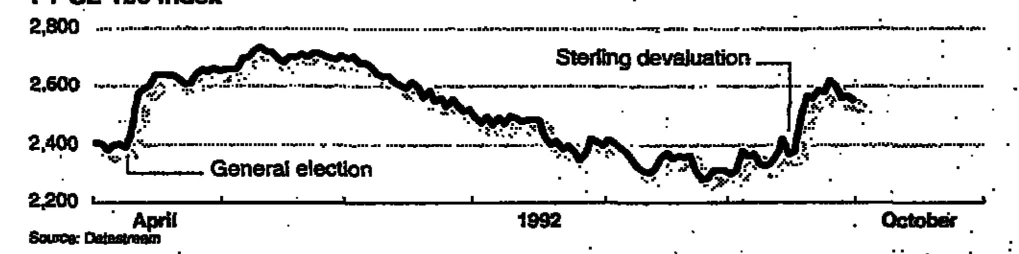
Trafalgar said Kleinwort Benson, one of its financial advisers, is now marketing the hotels, which include the Ritz and the Stafford are which are valued by Trafalgar at £130m, to around 30 potential buyers.

Observer, Page 15

Andrew Bolger hears the very grim message coming from British boardrooms

Companies stuck on the rocky road to recovery

FT-SE 100 Index



Source: Datastream

Interim profit results to date

Pre-tax profits (% year on year)	1991 full year	1992 interim results to date	Proportion of results to date (%)	1992 full-year forecast
Capital	−34.1	−2.2	65	+5.6
Consumer	−0.6	+2.3	28	+6.5
Industrial	−5.9	−4.2	25	+5.4
All-Share	−12.5	−0.4	34	+9.0

Source: UBS Phillips & Drew

STERLING's devaluation and the consequent stock market rally have tended to obscure the grim message emerging from Britain's boardrooms: UK companies have just endured a very bleak summer.

Managers, who had seen their hopes for a rapid post-election recovery fizzle out by June, said trading continued to be tough in the third quarter of the year. Although devaluation and lower interest rates do hold out the prospect of some longer-term relief, the impact is unlikely to feed through for some time.

Imperial Chemical Industries told Hoare Govett, one of its brokers, *that demand was slow in* July and very weak in August. Anecdotal evidence from September suggested little improvement.

Hoare Govett duly downgraded its forecast of the chemicals and pharmaceutical group's third-quarter pre-tax profits to £100m ($178m) compared with £196m for the same period last year. Mr Martin Evans, chemicals analyst at the broker, said there was limited room for improvement and downgraded ICI's full-year profits for 1992 from £780m to £620m because of poor demand.

Stockbrokers last week cut forecasts of next year's profits from Hanson, the UK conglomerate, after meeting the company.

Just before sterling's devaluation, Courtaulds Textiles, the UK's second biggest textiles and clothing manufacturer, issued a *stark warning on prospects for* recovery, saying that "there are no signs of improvement in trading conditions".

Mr Martin Taylor, chief executive of Courtaulds Textiles, said his main concern had been the pressures his company would have faced next year, had the pound continued to trade near the $2 level. He said: "There *really was the most enormous* squeeze looming over the hill. Obviously we are very relieved that prospect has been removed."

Retailers have also had a difficult time, with the short-lived boost in sales immediately after the election rapidly being overtaken by a plunge in consumer confidence as the unemployment outlook continued to darken over the summer months.

Britain's unemployment total rose in August to a five-year high of 2.8m. The increase in the month – at more than 47,000 – was much higher than expected. The seasonally adjusted increase was the 28th consecutive monthly rise and the largest in one month since January. Manufacturing output was flat in July month-on-month and showed no growth in the three months to the end of July.

Kingfisher, one of the UK's biggest retailing groups, said: "A good month has been followed by a bad one. Some of our markets have looked stronger only to fade away again. It is a tough world out there for retailers and it is not going to get any easier."

Mr Geoff Mulcahy, Kingfisher's chairman and chief executive, added: "If your house price has *fallen, you are afraid of losing* your job, and you have high levels of personal debt you are bloody well not going to go out and spend money no matter where interest rates are."

Sales of new cars in August *rose by only 1.7 per cent com*pared with the same month last year, dashing hopes that this year would mark would mark the end to the three-year decline in demand for new vehicles.

'It is a tough world out there and it is not going to get any easier'

Ford UK and Rolls-Royce Motors Cars have announced a total of 2,500 redundancies, following other big reductions announced by Jaguar, Aston Martin and Group Lotus.

The chain reaction caused by reductions in orders from big companies was blamed for the 53 per cent increase in business failures in the third quarter of the year. Dun & Bradstreet, the busi*ness information company, said* the 46,545 failures in the first nine months of this year had already surpassed the figure for the whole of last year.

The 457-point fall in the FT-SE 100 between May and its pre-devaluation trough in August was largely fuelled by a string of negative messages from companies to analysts. The proportion of resulting changes in analysts' *forecasts which were downgrades* rose to 80 per cent in the late summer, according to BZW.

In spite of all these downgrades, most analysts continued to take an over-optimistic view of companies' likely performance. Even if companies will not see much benefit from a lower pound and interest rates before next year, devaluation has certainly come to the rescue of analysts, *who would have otherwise had to* continue downgrading.

Mr Mark Brown, market strategist for UBS Philips & Drew, said his house had persistently highlighted the inevitability of sterling devaluation, but had still *been caught out by the speed and* manner in which it came about.

He said: "The effect of early devaluation has broadly been to offset downgrades that were already in train."

Devaluation caused Mr Brown to increase his forecast of industrial profits from 10 to 14 per cent next year, following a 4 per cent average rise this year. He has left his dividend growth number *unchanged at 2 per cent for this* year and 6 per cent next year.

UBS Philips & Drew stands by its market targets of 2,700 on the FT-SE at the end of this year and 3,000 by the middle of next year. But Mr Brown admits: "Our existing market targets were looking increasingly bold before devaluation occurred and have really only been salvaged by recent events. We would not *choose to pour cold water on the* market at this level, but the road to economic recovery is still an extraordinarily rocky one."

Survey reveals variety in accounts

By Andrew Jack in London

BRITISH COMPANIES disclose more financial information and data on social issues than their overseas competitors, according to a survey of the annual reports of leading quoted companies from nine countries.

Swedish companies provide most detail in their operational review and Italian ones least, the study from Shelley Taylor & Associates, a London-based corporate strategy consultant, shows. UK and French companies revealed most in their accounts about factors such as shareholders, cash flows and segmental information by sector and country – which readers consider important. The Italians revealed least.

The analysis considered disclosure of non-statutory information in the most recent of 160 company accounts chosen from the 1,000 companies with the largest market capitalisation in France, Germany, Italy, Japan, Spain, Switzerland, Sweden, the UK and the USA.

The UK rated highest on disclosure of corporate social information such as equal opportuni*ties, training, health and safety* and the environment. Scoring required a discussion of the issue to be clearly visible and consume at least 50 words of text in the annual report.

However, more than four times as many US as UK companies offered any numbers to back up the words or linked their social activities to business performance in some way. French com*panies also scored twice as* highly as the British on this measure.

Swedish companies disclosed most about in their management review about strategy, the risks of business, research and development and political and economic trends. The UK came sixth.

About two-fifths of companies in the nine countries had a "*mission statement" expressing their* objectives, and 78 per cent had a statement of strategy.

Although 91 per cent of companies provided information on prospects, only 63 per cent set any quantified objectives.

Only US companies included statements showing management's responsibility for internal accounting control and for the financial statements.

**Full Disclosure. A study of annual reports. Shelly Taylor & Associates, 6 Linden Gardens, London W2 4ES. £675.*

Economic policy vacuum in a floating world

Economics Notebook
By Peter Norman

Nearly three weeks on from Black Wednesday, the UK is still without any semblance of an economic policy.

Indeed ever since sterling was forced to quit the European exchange rate mechanism, official comments have generated heat rather than shed light. The past weeks' war of words between the UK Treasury and the Bundesbank has left Britain almost as much in the dark about the future underpinnings of policy as when the 23 month-long experiment of pegging sterling to the D-Mark failed.

We do, it is true, know something about the government's intentions. A few days after sterling's float, Mr Norman Lamont, the chancellor, told fellow finance ministers in Washington that policy setting would give weight to a range of financial indicators. These would include narrow money, with the current 0 to 4 per cent growth target remaining in place, as well as broad money, asset prices (with particular reference to house prices) and the exchange rate.

The prime goal will be still to bear down on inflation. Some senior Treasury officials appear to think that an "inflation target" might be helpful in this regard.

But there has been no attempt so far to explain how these policies would work. Mr Lamont's address to the Conservative Party Conference this week will be honed to help his political survival. He may give some policy details to the Commons' Treasury and Civil Service committee next Monday. But the Treasury's assumption after the float was that the chancellor's October 29 Mansion House speech would be the occasion to expound on monetary policy. Fiscal policy, or at least the public spending part of it, should be made clearer with publication of the Autumn Statement, probably in mid-November.

Sterling's sharp fall last week underlined the dangers in this leisurely approach to policy making. When trading ended on Friday, the pound's value against the D-Mark was about 12.5 per cent below its old DM2.778 ERM floor.

By any standard, this devaluation is substantial. It has already seriously weakened the logic of the UK moving to a floating regime instead of simply devaluing and returning to ERM disciplines. The attraction of floating was that it would give the authorities an opportunity to cut interest rates and so ease a monetary policy policy that had come to be judged too tight at a time of prolonged recession.

Mr Lamont made full use of that freedom on September 22 when he cut British bank base rates by a full percentage point to 9 per cent from 10 per cent. On that day, the pound actually gained slightly to close at DM2.545 in London. After a week of trading insults between London and Frankfurt, it closed on Friday at DM2.43, for a loss of 11.5 pfennigs. As a result, the next move in interest rates could be up rather than down.

At one time, the Treasury had a rule of thumb that equated a 10 per cent devaluation to a 2.5 percentage point base rate cut. This is now formally disowned in Great George Street. But the easing of monetary conditions implicit in the latest devaluation is substantial as is the inflationary potential of the weaker pound.

In a gloomy assessment of the inflationary potential of sterling's fall, the National Institute of Economic and Social Research has calculated that a 10 per cent sterling devaluation will add 3.8 percentage points to retail price inflation in 1993, 3.7 points in 1994, 2 points in 1995 and 1.1 points in 1996.

With next Friday's announcement of the retail prices index expected to show that UK inflation in September was running at an annual 3.5 per cent, the NIESR's calculations would suggest that Britain is again on the threshold of rising prices.

But if the past two years have taught anything, it is to beware of econometric models. There is a strong belief among economists that inflationary pressures are especially subdued.

Mr Michael Saunders, UK economist of Salomon Brothers in London, argues that the government *has chosen a good* time to devalue. The recession should prevent higher import costs being passed on in full to the consumer and there is no strong inflationary pressure from commodity prices.

Mr Douglas McWilliams, the CBI's chief economic adviser believes a 10 per cent sterling devaluation might add 1 to 1.25 percentage points a year to retail price inflation. In that case, RPI inflation could stabilise in the 3 to 4 per cent range for 2 years or so rather than rise.

Some optimists see similarities with the early 1980s when sterling fell sharply, interest rates declined and inflation moved downwards – albeit unevenly – until the middle of the decade. This parallel cannot be taken too far, however. Sterling was less obviously overvalued before Black Wednesday than in the early 1980s.

So if the chancellor would be unwise to let policy drift for too long, what, credibly, can he do?

The government, having sunk all its eggs in the ERM basket, and having failed to live up to its promise to defend successfully the pound's parity, is left asking the nation to take its ability to manage the *economy on trust. Britain's* recent history is reason enough not to do so.

It is likely that the government will seek to target at least some of the financial indicators identified by Mr Lamont. But some senior policy makers have already concluded that to make that move credible, there will have to be a more open discussion of policy options so that they can be debated and tested by government insiders and outsiders.

Such a development, for example, would mean that the UK could never again go into the ERM at a central rate of DM2.95 without any rational discussion of the merits or demerits of the rate.

In a nation as obsessively *secretive as Britain any move* that made economic policy making more open and accountable would be a significant advance. It would be the one good thing to emerge from what otherwise has been a catastrophic failure of government.

Bankers cautious on Italian debt buy-back

By Haig Simonian in Milan

BANKERS have reacted with cautious interest to the Italian government's plan to use the proceeds from privatisation to buy back state debt.

The aim would be to reduce what some prominent treasury economists call the "black hole" of government debt. The cost of servicing debt accounts for most of the state's financing needs.

A new fund would receive proceeds from all planned privatisation issues, excluding those where the receipts are destined to reduce the debts of heavily-borrowed state hold*ing companies selling their* subsidiaries. Proceeds from the disposals of Credito Italiano, the bank controlled by the Iri state holding company, and Nuovo Pignone, the engineering group owned by the public-sector Eni energy and chemicals concern, would not be put into the new fund. Receipts would be used to shore up the balance sheets of Iri and Eni.

The fund will also receive cash from future dividend payments by Iri, Eni, Enel and Ina, the four public sector concerns recently transformed into joint stock companies.

Bankers are now keen to know what bonds would be withdrawn via the new fund, and whether paper would be *bought at market or nominal* prices. Italy issues a wide range of debt, varying from fixed-rate three-month treasury bills to 10-year bonds and shorter-maturity floating-rate issues. Current market rates are often well below nominal prices.

German insurance competition hots up

David Waller reports on the battle for market share ahead of deregulation in 1994

When in March this year Germany's federal cartel authorities ruled that that Allianz should scale down its 22.3 per cent stake in Dresdner Bank, the move was seen as an attack at the very heart of the German financial and industrial establishment.

Last week, the Bundeskartellamt backed down, saying there was no need for Allianz – Europe's largest insurance group – to sell a single share in Dresdner, the second biggest bank in Germany.

It was a dramatic U-turn, and it leaves the Allianz/Dresdner axis intact as a powerful new force in German banking and insurance, its influence consolidated through a network of shareholdings in large industrial companies.

As the Berlin-based cartel authorities explicitly recognised in reversing their earlier judgment, competition in the German insurance market – the largest in Europe with premium-income of DM168bn (£67.2bn) last year – is intensifying ahead of deregulation. A series of European Community Directives, aimed at freeing up insurance markets, must be adopted by member states by 1994.

Two large, financially strong companies have moved aggressively into the German market in the last six months. One is Assurances Générales de France (AGF), which has recently fought and won a complex battle to have full voting rights accorded to its 25 per cent stake in Aachener und Münchener Beteiligung, Germany's second largest insurance group.

The other is the Deutsche Bank, Germany's biggest bank and rival to Allianz as Germany's most powerful industrial/financial complex.

In July it bought a 30 per cent stake in Gerling-Konzern Versicherungs-Beteiligungs, the biggest privately-owned insurance company in Germany, with premium income of DM10bn. It followed this last month with the purchase of a majority holding in Deutscher Herold Versicherungs, another privately owned group.

The bank has said it will respect the wishes of the vendors and not disclose any financial details. Speculation suggests that the bank paid between DM1bn and DM1.5bn for the Gerling stake, and around DM500m for control of Herold.

Mr Georg Krupp, the Deutsche main board director responsible for the bank's insurance activities, said that most of the press reports about the prices paid had been wide of the mark – but declined to give any clue as to the actual figure.

AGF's motivation for closer co-operation with Aachener is clear – it wants to establish a bridgehead into the German market. From the point of view of the German bank, Mr Kilmar Kopper, the Deutsche Bank chief executive, explained last month that the Herold deal was a means of diversifying its private client business. The 30 per cent stake in Gerling – predominantly an industrial insurer – was a "financial participation", not an excursion into mainstream insurance.

Georg Krupp: keeping bank's customers happy

Despite these innocuous explanations, the German press has been alive with stories about an impending battle of the giants between Deutsche on the one hand and Allianz/Dresdner on the other, a battle complicated by the fact that Deutsche and Allianz both own 10 per cent stakes of each other.

From his eyrie towards the top of one of the Deutsche Bank twin towers in the heart of Frankfurt's financial district, Mr Krupp dismisses talk of a "battle of the giants". "It has never been our aim to build up an insurance group," he says, "and it will not be in the future either. Our goal is not to set ourselves up as a competitor to Allianz, but to serve our retail customers better."

Mr Krupp says that Deutsche Bank has long realised that in order to keep its 6.5m retail banking customers happy, it must offer more than straightforward banking products. And in order to market its expanded product palette more effectively, it must do more than operate its network of 1,500 bank branches: it must open up new channels of distribution.

The first step in this strategy was to open up a housing finance subsidiary, followed by the founding of a life insurance business in 1989. Mr Krupp says that the recent acquisitions – especially the Herold purchase – have enabled the strategy to be developed more quickly and cost-effectively than if the bank had relied on organic growth alone. Herold brings the bank a tranche of new life and other personal business, as well as access to new distribution channels via a network of itinerant salesman.

By contrast, the purchase of the Gerling stake is less easy to explain. As a pure financial investment, it makes little sense, analysts say – especially at a time when Deutsche takes pains to stress that the assets locked up in its other industrial holdings could better be deployed in the mainstream banking business.

From an operational point of view, the synergies are small in relation to the outlay. It is involved in life insurance and other personal sectors, but the bulk of its business is with companies, not private individuals.

Some analysts worry that the acquisition of the 30 per cent stake could be a stepping stone to a full purchase – "worry", because Deutsche bankers do not necessarily have the expertise to manage the business, and because the company is said to need large injections of capital to make it fully competitive over the longer term.

There is no clarification on this from Deutsche: asked whether the bank has plans to buy the entire company Mr Krupp replies cryptically: "Fantasy knows no bounds." Closer co-operation cannot be ruled out, he says.

One fantasy which may yet become a reality is that of Allianz/Dresdner and Deutsche Bank battling it out in the liberalised insurance markets of the mid-to-late 1990s.

Linx print group heads for market via placing

By Peggy Hollinger

LINX Printing Technologies, the Cambridge-based maker of ink-jet printers, is to make its stock market debut on October 15.

Linx will be introduced through a placing by Morgan Grenfell and is expected to have a market value of about £20m. It is unlikely that the prospective price/earnings ratio will be any lower than that of its larger rival, Domino, at about 16 times.

After the placing the nine-member board will hold more than 50 per cent of the shares.

The company will publish a pathfinder prospectus tomorrow showing an 87 per cent jump in pre-tax profits to £1.64m for the year to June 30. Sales were 62 per cent higher at £10.5m. Earnings per share of about 9.07p compare with 5.14p last time.

A strong position in the more recession-resistant foods and pharmaceuticals sectors helped UK profits increase by 80 per cent last year, according to managing director Mr Michael Keeling.

Mr Keeling, one of the company's founders, said Linx intended to use the placing proceeds for acquisitions.

Linx plans to expand its presence in the production line application of ink jet process. For example, in identifying stocks held in warehouses or incoming supplies.

The company believed worldwide sales of continuous ink jet printers would grow by 10 per cent per annum over the next few years.

Brierley extends Gibbs Mew offer

By Peggy Hollinger

BRIERLEY Investments Limited, the New Zealand investment company which has made a hostile £11m bid for Gibbs Mew, has extended its offer for the Salisbury-based brewer until October 9.

That is the date of an extraordinary meeting for Gibbs shareholders to vote on the proposed purchase of drinks distributor UK D.

Brierley said that if the £2.3m purchase was approved, it would drop its 200p bid for Gibbs.

In a document posted to Gibbs shareholders last week, BIL said the acquisition of UK D would be "a serious mistake which could seriously damage Gibbs Mew".

It urged shareholders "whether or not they wish to accept the BIL offer" to vote against the acquisition.

Brierley launched its bid for Gibbs, which is almost 60 per cent controlled by the Gibbs family, in August. The New Zealand company holds 19.7 per cent of Gibbs Mew.

Before the bid was launched, rumours had circulated the market that Gibbs was planning an acquisition on the drinks side of its business. It has been suggested that a growing dispute between the Gibbs family and BIL over the acquisition led to the New Zealand company's offer.

However, the board and family members representing 55.5 per cent of Gibbs' shares have rejected the offer.

Nathu Puri buys Conder Structures from receivers

By Peggy Hollinger

MR NATHU Ram Puri, chairman of the private mini-conglomerate, Melton Medes, has purchased Conder Structures, the structural steel business of Conder Group, from receivers.

Mr Puri refused to reveal the cash price, although he said it was a "significant seven-figure sum".

Conder Group was placed into administrative receivership last month following the announcement of £22.6m in pre-tax losses for 1992. The company is believed to have suffered £31m in losses on two contracts last year, from which it never recovered.

Conder Structures, which employed 337 people before the receivership, had sales of £40m in 1991. Mr Puri said he expected to retain between 50 and 150 jobs.

Mr Puri, who is contesting a high court action by members of two pension funds controlled by Melton Medes, said he was considering the option of not having a pension scheme for employees of Conder Structures.

The case against Melton Medes Pension Trustees and MM Fund Management, the funds' trustees, is expected to come to court next month. It was launched by the Graphical Paper and Media Union in an attempt to obtain information about the investment of scheme assets and in an effort to appoint a judicial or independent trustee.

ADT to sue over stake taken in Lep

ADT, the security group which has written off £65m on its 27 per cent stake in Lep Group, is suing Lep and four of its present and former directors, writes Jane Fuller.

The court action is being pursued in the US by an ADT subsidiary called Itoba. It has complained that ADT relied on misleading public statements when it bought shares in Lep in 1990.

Last year Lep, the freight forwarding and security concern, incurred a loss of £235.1m after £219.4m of exceptional and extraordinary charges. The biggest write-off was the entire US property portfolio, previously valued at £93.4m.

The group slid to more than £500m of net debt and £109m of negative shareholders' funds.

With company doctor Mr David James installed as chairman, a rescue package has been negotiated entailing about 25 banks swapping £180m of debt for 85 per cent of the restructured company.

Sun Hung Kai 40% ahead

By Simon Holberton in Hong Kong

SUN HUNG Kai Properties, one of Hong Kong's leading property developers which is controlled by the Kwok family, yesterday posted a 40 per cent increase in profits to HK$4.68bn (£354.5m) in the year ended June, 1992.

Profit was struck on a 22 per cent increase in turnover to HK$10.66bn from HK$8.77bn in 1990-91.

A final dividend of 75 cents is to be paid, making HK$1.14 for the year – up 18.75 per cent on the previous year's total payout. There was also a cash bonus of 15 cents a share, the same as last time.

Mr Walter Kwok, the company's chairman, said he envisaged satisfactory growth in the coming year and that dividends would increase accordingly.

Sun Hung Kai has one of the biggest land banks in Hong Kong. During the year it acquired 27 sites for development with an aggregate gross floor area of 4.45m sq ft. Its total land bank exceeds 37m sq ft.

This year marked a change in strategy. In July it raised HK$3.3bn through a placement of shares to fund property investment in China.

The company said it intended that 10 per cent of its future business should be generated from works in China. It is pursuing investment opportunities in Beijing, Guangzhou, Shanghai, Shenzhen and Hainan Island.

"The group will adopt a selective approach and will concentrate on high quality real estate and related projects," it said.

The company added that the remaining 90 per cent of its business would be in Hong Kong, split 80/10 between property and non-property interests.

It said an independent assessors valued its stock of 12.6m sq ft of completed investment properties in Hong Kong at HK$34.3bn, compared with a valuation of HK$18.5bn placed on 10.5m sq ft of completed property a year earlier.

Italgas has steady first half

By Haig Simonian in Milan

ITALGAS, the listed gas and water distribution group which is widely held abroad, raised first-half gross operating profit by 9.9 per cent to L420bn (£195.3m). Earnings before depreciation and tax rose by 13.4 per cent to L398bn, boosted by a 31 per cent jump in interest and other financial income.

Turnover rose by 5.7 per cent to L1,961bn, thanks to higher sales of natural gas, in spite of a relatively mild winter. The figure was also boosted by the expansion of the group's growing water distribution activities, with 45 new concessions in the first half of this year.

● CIR, the industrial holding company controlled by Mr Carlo De Benedetti, reported a first-half group loss of L18bn against net profits of L60.5bn in the same period last year.

The plunge into the red stemmed from increased losses at Olivetti, the computers group controlled by CIR, which was partly offset by strong profits at the group's other industrial subsidiaries such as Valeo in France and Sasib and Sogefi in Italy.

Earnings were additionally burdened by special provisions made by Banque Dumenil Leble, CIR's French bank, and by a sharp fall in extraordinary items, which amounted to L67bn in the first half of this year against L220bn in the corresponding period last year.

Finance package for Westminster Scaffolding

Westminster Scaffolding has completed negotiations to withdraw totally from its property development interests.

It also unveiled proposals for a debt restructuring and an underwritten offer to raise £2.6m net to finance future growth.

The directors said the proposals would put the group on a "sound financial footing" and enable it to concentrate on its principal business of scaffolding.

The Midland Bank is to subscribe in cash at par for 12.5m new ordinary shares, representing 24.83 per cent of the enlarged share capital.

The proceeds will be used to reduce the company's debt to the Midland which at September 17 stood at some £3.54m.

Following implementation of the proposals debt to the Midland will remain at £1.14m. The bank has agreed to provide a continuing overdraft facility up to a maximum £1.15m for an initial 12 months.

The cash call is of 2.6m units at 120p per unit cash. Each unit comprises one A share of 1p to be issued at par; 43p nominal of variable rate stock to be allotted at 42p; 77p nominal of 10 per cent convertible secured loan stock 1995 to be allotted at 77p; and warrants to subscribe for 3.75m ordinary shares for which no specific consideration is payable.

Qualifying shareholders can subscribe for one unit for every 10 ordinary share held.

The group also reported pre-tax losses of £3.41m (£82,000) for the year to October 31 1991 after exceptional provisions of £2.03m (£482,000) and losses of £524,000 (£394,000) for the six months ended April 30 1992.

The USM-quoted group is also proposing the appointment of Mr Michael Pelham as chairman following the annual meeting later this month. The present chairman, Mr Tom Greenham, intends to step down but remain chief executive.

Quebecor in bid for three French printing plants

By Robert Gibbens in Montreal

QUEBECOR, North America's second biggest commercial printer, says it is negotiating to buy three printing plants in France, including one formerly owned by Maxwell Communication.

Mr Pierre Peladeau, Quebecor chairman whose holding company includes Canada's second largest circulation daily newspaper, said the plants would form a base for a big foray into European printing.

He said Quebecor had already made a bid for Imprimerie Cina Del Duca, of Blois, a magazine printer with annual sales of around US$150m (£87.2m). If the deal goes through, production at the Blois plant would be rationalised.

Mr Peladeau said he is also looking at a UK printing business with a view to a purchase. Quebecor acquired Maxwell Communication's US printing business two years ago for US$510m.

The company now operates 57 plants in North America, including Mexico. Printing accounts for half the group's annual sales of around US$2bn.

● Inco is meeting union officials at its Sudbury and Thompson nickel mines and processing plants today to announce cost-cutting moves to offset declining metal prices.

The unions say Inco will cut the work week from five to four days, but insisted they offered alternatives. Extended Christmas shutdowns are also possible.

Losses mount at Reed Executive

By Tim Burt

The performance of Reed Executive, the loss-making employment agency, worsened in the first half of 1992 with losses reaching £3.7m, a 14 per cent increase on the same period last time.

The family-controlled Reed board, chaired by Mr Alec Reed, said the poor results meant the company was unable to pay an interim dividend. Mr Reed said there were signs of a tentative recovery although turnover fell 7 per cent to £40.8m in the 26 weeks to June 28.

He added that there had been an upturn in demand for temporary office workers and that margins were slowly moving back towards previous levels – Reed last made a profit in the first half of 1990-91.

Mr Reed said: "We are still trading at a loss and expect to do so for some time yet."

Concern at the mounting losses prompted the chairman and executives to take pay cuts of up to 42 per cent earlier this year.

Cross-border M&A deals in publishing decline

By Raymond Snoddy

Cross-border merger and acquisition activity in the publishing industry, has seen a dramatic decline, according to a survey by KPMG Peat Marwick, the international accountancy and management consultancy firm.

In 1989 there were 106 acquisitions worth $5.35bn (£3bn) in newspapers, books, periodicals and printing.

In the six months to June 1992 there were only 23 acquisitions worth $56m.

Mr Richard Paterson of KPMG said the common view in the 1980's that international multi-media groups were the way forward had fuelled an acquisition boom.

"The companies which won the takeover battles were often the ones that lost out in the long run: now they are burdened with debts and seeing the value of their acquisitions plummet," Mr Patterson said.

The recent announcement that Reed International and Elsevier, the Dutch international publishers intended to merge was strong confirmation that a longer running trend towards greater international integration in the publishing industry was continuing.

In the four and a half years to June 1992 the UK was the top purchaser in the industry by a wide margin with 145 deals worth a total of $6.958bn.

More than half of that was, however, accounted for by 22 deals done by the late Mr Robert Maxwell.

The UK was also the second largest seller of publishing companies with 39 deals worth a total of $1.76bn. But Britain was a long way behind the US which had 156 deals worth $13.6bn.

Ash & Lacy margins under pressure

Pressure on margins pushed pre-tax profit of Ash & Lacy, the West Midlands-based galvanising and metal pressings group, down 14 per cent in the six months ended July from £2.31m to £1.97m on increased turnover of £28.72m (£27.83m).

Mr David Fletcher, chairman, said that despite the continuing effect of the recession, cash flow remained good and the balance sheet healthy. With strong presence in each of its major markets, the company remains well positioned.

Earnings fell to 5.09p (6.04p). The interim dividend was maintained at 2.5p.

Ramco Oil in Azerbaijan deal

Ramco Oil Services, in partnership with Pennzoil company of Houston, has signed an oil production agreement with the Azerbaijan authorities which the Aberdeen-based oil services company says will have a "very significant impact" on its performance next year.

Subsidiary Ramco Energy and Pennzoil have won rights to develop the Guneshli Field in the South Caspian Sea which has an estimated 1.4bn barrels of recoverable oil remaining.

Ramco will take 10 per cent of the profits until Pennzoil has recovered development costs, after which Ramco's share will rise to 17.5 per cent.

CST Emerging Asia to dismiss fund managers

THE BOARD of CST Emerging Asia Trust said it intends to dismiss Jupiter Tyndall, its fund managers, writes John Authers.

Jupiter Tyndall has a 29.9 per cent stake in CST, and yesterday proposed the appointment of three new directors to the board. Mr Michael Seal, chairman of CST, said yesterday that this would create "an unacceptable risk of conflict of interest".

He said: "Jupiter Tyndall's resolutions amount to an attempt to gain control of the company's board without making an offer of shares."

The CST board said that Jupiter Tyndall's performance as an investment manager in recent months had been poor, and that the company had been "consistently inflexible" in its approach to negotiation.

Mr Seal said that the board had therefore given Jupiter Tyndall 12 months' notice of termination of its contracts as investment manager and administrator. The board is also proposing a special resolution to wind up the company at next year's annual general meeting – three years before it had been planned to do so.

The board made it clear that it was reluctant to shorten the life of the trust by three years, but believed the measure would reduce the current discount of the share price to net asset value per share.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Kraft General Foods (US)	Freia Marabou (Norway)	Confectionary	£870m	Agreed bid
British Airways (UK)	USAir (US)	Airlines	£430m	Stake plans postponed
ICI (UK)/DuPont (US)	Asset swap	Chemicals & fibres	£420m	EC approves conditionally
Tate & Lyle (UK)	Alcantara Sociedade de Empreedimentos Acucareiros (Portugal)	Sugar refining	£24m	Stake now 97%
Tate & Lyle (UK)	Weigen Manfacturing Partnership (US)	Biotechnology	£13.7m	Buying out partner
Hongkong Land (HK)	Trafalgar House (UK)	Engineering & property	£175m	Seeking up to 29.99%
EMI Music (UK)	Sparrow Corp (US)	Recorded music	n/a	Onward Christian singers
Guinness Peat Aviation (Ireland)/Air Ukraine (Ukraine)	Air Ukraine International (jv)	Airlines	n/a	GPA contributes financing
Philips (Holland)	Kondo Sylvania (Japan)	Lighting	n/a	70% stake planned
Johnson Matthey (UK)	Alta (US)	Titanium production	n/a	Strengthening market position

The week's international merger and acquisition activity saw the renewal of one major trend and the possible continuation of another, writes Brian Bollen.

The biggest deal of the week saw hostilities renewed in the international chocolate war. The offer by Kraft General Foods International, part of the Philip Morris Group of the US, for Freia Maribou of Norway, continues the consolidation and concentration of the industry over the past five years.

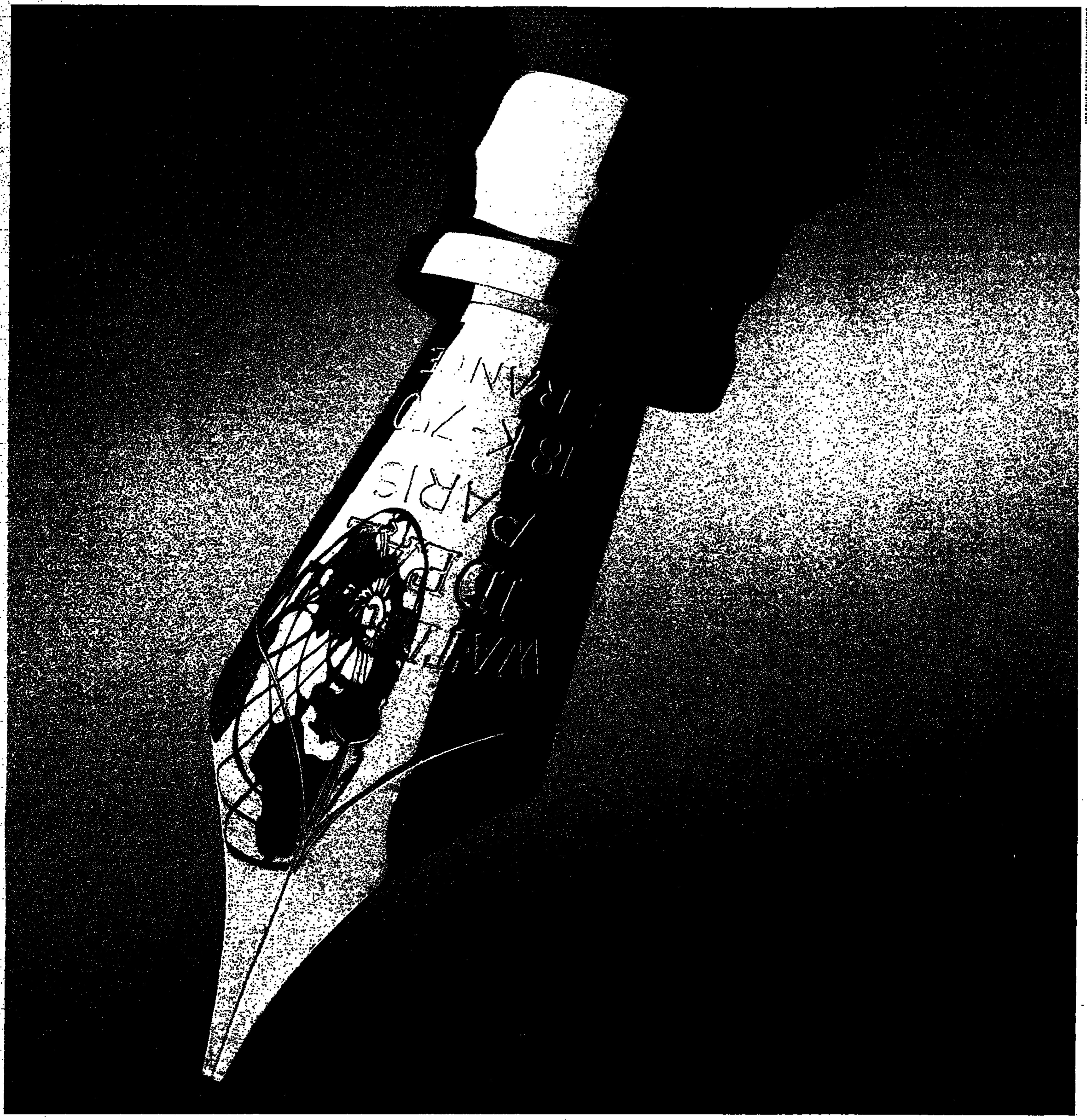
If it succeeds, the combination of Freia, Kraft and Jacobs Suchard, through which the offer is being made, will create Scandinavia's leading branded confectionery group. The deal needs government approval and could be blocked by the Hershey group which has an 18.6 per cent stake.

Elsewhere, the week had a distinctly oriental flavour. The biggest new UK development was the swoop by Hongkong Land for up to 29.99 per cent of debt laden but asset rich property developer Trafalgar House.

The move could be described as another example of a Keswick-controlled British Hong Kong company preparing for 1997 by going home, an attempt to asset strip or a way to unlock shareholder value, depending on one's point of view.

Dutch electronics group Philips is preparing to manufacture lighting products in Japan for the first time, by taking a 70 per cent stake in Kondo Sylvania from GTE Sylvania of the US.

The week's developments in the international airline industry saw renewed efforts in the US to stop British Airways taking its planned stake in USAir, and Ireland's Guinness Peat Aviation create a joint venture with Air Ukraine.



UK GILTS

Investors seek signs of new policy direction

GILT investors are feeling the full effects of the general malaise over the direction of UK economic policy. Last week long-dated gilts dropped 1½ points as worries piled up about how Britain intends to cope with the loss of its central economic plank in the shape of membership of the European exchange rate mechanism.

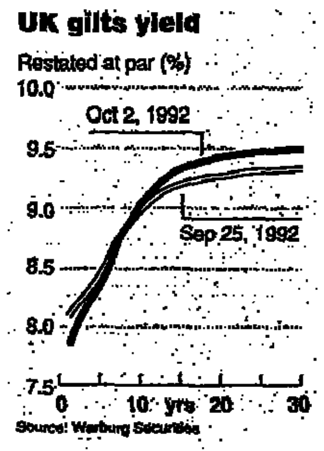
Much of the malaise in the market was connected with the pound's 11½ pfennig loss against the D-Mark during the week. On Friday night in London it was quoted at DM2.43, more than 50 pfennigs below its former central rate of DM2.95 in the ERM from which it was suspended nearly three weeks ago.

In the immediate aftermath of the suspension, the gilt market strengthened, especially at the short end of the market on thoughts that the floating pound would permit a rapid lowering in base rates, now 9 per cent. Such a move might help the limping economy move out of recession, and generally restore confidence in UK economic policies.

However, since Black Wednesday on September 16 the government's economic policy-making machine has been in a state of torpor. Senior ministers have had to worry about how to re-orient policy towards Europe, and have also become embroiled in a dramatic argument with the Bundesbank over who was to blame for sterling's ERM exit.

Mr Nigel Richardson, an economist at S.G. Warburg Securities, said many in financial markets were worried by lack of direction in UK government policies over the economy. "We are seeing a policy vacuum. No one has any clear idea about the Treasury's policies over interest rates and the pound." Last week, while short-dated gilts remained steady, and even gained in price by a small amount at the very short end of the market, long maturing bonds saw their yields rise. As well as the worries over policy, there is also a nagging suspicion among some gilt market experts that inflationary pressures, which for some two years have been kept in check by the the ERM discipline, may in the months ahead become re-ignited if interest rates come down too quickly.

UK gilts yield



Source: Warburg Securities

The concerns pushed down the price of the long maturing 9 per cent Treasury bond due in 2008 to 96⅝ on Friday night, some 1¼ points less than a week previously. Its yield climbed consequently to 9.42 per cent from 9.21 per cent.

Mr Philip Tyson, a bond analyst at UBS Phillips and Drew, is looking for further rises in yields especially at the long end of the gilt curve in the next few months. The price falls for such classes of gilts could be expected to spill over to the 10-year benchmark stock, which generally had a good month in September as yields fell. The yield on a 10-year UK government stock declined by 25 basis points (0.25 percentage points) during the month, while on a comparable basis yields on French, Japanese and US government securities fell by rather less – 21 basis points, 11 basis points and 9 basis points respectively.

During the month German government bonds performed best of all, yielding 50 basis points less at the end of September compared to the start. Much of this good performance in German bonds is related to the rise in the value of the D-Mark against most other European currencies, a development which is likely to continue in the next week or so after the decision by the Bundesbank council on Friday to leave credit rates unchanged, against expectations of an easing in monetary policy.

Peter Marsh

US MONEY AND CREDIT

Poor economic data leave markets in a quandary

A WEEK of consistently poor economic data but no reduction in interest rates left the US bond markets waiting and hoping. The statistical build-up was impressive. On Tuesday, there was the Commerce Department report, which showed that the index of leading economic indicators – supposed to gauge future industrial and commercial activity – *fell 0.2 per cent in August.*

The same day, the Conference Board unveiled its consumer confidence index for September. This, too, showed a slump, with the number falling to 56.4, from a revised 59.0 in in the previous month.

A couple of days later, the National Association of Purchasing Mangers index for September rolled out at 49.0, having stood at 53.7 for August. When the index slips below 50.0, this suggests that activity in the manufacturing sector is declining – a scenario which was last posted in January.

To compound the gloom, spending on new construction during August was shown to have fallen by 0.8 per cent, after a 0.2 per cent rise in July. *Finally, Friday brought* the September unemployment figures – the bond market's *primary focus all week.*

The data could have been worse. Non-farm jobs fell by 57,000 during the month, substantially less than the 120,000 decline forecast by many economists, while the unemployment rate improved marginally – from 7.6 to 7.5 per cent.

However, after closer inspection, the numbers seemed less encouraging. While the effects of Hurricane Andrew and summer jobs programmes undoubtably muddied the figures, analysts were quick to note an apparent continued decline in jobs in both the manufacturing *and construction sectors. The* consensus was simple: the employment market remains extremely weak.

Still, the Federal Reserve took no further action on interest rates. On the contrary, the Fed conspicuously failed to inject reserves into the banking system during the traditional pre-noon intervention period on Friday – a move which was generally read as *signalling caution.*

So the US bond markets, which had rallied early in the week and then eased when the dollar came under pressure, were left in something of a quandary. The knee-jerk reaction was for bond prices to fall immediately after the unemployment numbers were announced. *However, by Friday* afternoon, when the numbers had been examined more *closely, prices rose again.* The benchmark 30-year long bond ended the week at 99, down just $\frac{3}{32}$, where it yields 7.33 per cent. This was marginally below the previous week's clos*ing yield of 7.35 per cent.*

All eyes are now on the monthly policy-setting meeting *of Federal Reserve's Open* Market Committee. This is due to take place on Tuesday, and many *pundits believe that the* recent stream of economic data – including the unemployment numbers – more than justifies some further reduction in interest rates.

"We would anticipate that easing to incorporate a reduction of the funds rate target to 2.75 per cent and the discount rate to 2.5 per cent", commented analysts at Donaldson, Lufkin & Jenrette – a sentiment echoed by a number of other commentators.

One obvious consideration for the Fed is the potential impact on the dollar – although most economists now *suggest that disinflationary* forces present in the US economy are capable of offsetting any inflation generated by a declining currency.

However, a timely reminder of the continued hawkish sentiment which dominates some quarters came when Federal Reserve Board Governor Mr *Wayne Angell indicated that* another downturn in economic activity was "not likely at all" *and predicted that nominal* growth in GDP should range between 4 and 5 per cent during the next nine months.

Nikki Tait

EUROPEAN GOVERNMENT BONDS

Spain suffers from volatile trading conditions

THE Spanish bond market is reeling. In little more than two weeks the peseta has been devalued, effective exchange controls have been reintroduced and the Kingdom of Spain's foreign currency debt has been put under review for a possible downgrade.

Last month's five per cent devaluation brought the peseta's parity in the ERM down from Pta65 to the D-Mark to Pta68.4, but the currency has stayed weak despite continued intervention by the Bank of Spain.

The devaluation took place on September 18: five days *later the Bank of Spain forced* institutions purchasing foreign currency against the peseta, or buying pesetas, to make a 12-month interest-free deposit equivalent to the transaction with the Bank. The Bank said the measures were necessary because of the "volatility, speculation and disorder" in the currency markets.

"A lot of confidence has been killed and there is a clear sentiment, lead by foreigners, to get out of Spain," said Mr Alvaro Villacieros, chief of trading at James Capel's Madrid securities house.

Yield spread

Source: Datastream

The 10-year bond yield rose by nearly a full point to 13.50. That same week, trading began on a $1.5bn issue that represented the Kingdom of Spain's first venture into the Eurodollar bond market. The Kingdom was forced to increase the yield by 10 basis points to 55 over US Treasury bonds.

The effective reintroduction of exchange controls was an ill-fated decision that was taken as the lesser of three evils. The Bank of Spain took it in preference to taking the peseta out of the ERM and raising interest rates.

At the weekend, Mr Carlos Solchaga, the economy minister, singled out the measures as a "real problem" and said he hoped they would be lifted "in the next few days" in order to *restore investor confidence. He* conceded that it would then "take time for confidence to return".

What the markets sense is that, in all logic, any decision to lift exchange controls can only be accompanied by a decision to realign the peseta. Mr Solchaga hinted as much when he called for a "disposition [among EMS members] to consider frankly whether the *[ERM] grid is the right one".*

The other greater evil that the exchange control measures sought to avoid – a rise in interest rates – is also back on the cards. Independently of whether the controls are lifted or not following a realignment, the market expects interest rates to climb.

Interbank rates rose last week by 0.25 per cent to 15.5 per cent and an important auction of certificates of deposit, CBE's, today is expected to deliver higher rates.

In this environment the decision last week by Moody's Investor Services to put Spain's AA2 credit rating under a review was characterised as "not very opportune" by Mr Solchaga and bluntly called "the final straw" by a *broker in Madrid.*

Investors were by this stage near panic and the Madrid stock market's general index tumbled to its lowest level for six years.

If the ERM, and the peseta within it, is saved through a realignment, or if some form of mechanism, such as the "multilateral fund" that Mr Solchaga is currently canvassing, is introduced to restore depleted national reserves (Spain's remain robust at $59.6bn after spending a *reported $13.5bn last month to* defend the peseta) and if there can be an ordered pan-European retreat from high interest rates lead by Germany, then what will the bond market be looking at in Spain?

The quick answer is the government's ability to implement a 1993 budget that it describes as the toughest in 20 years. The budget increases central government spending by only *3.7 per cent, a fall in real* terms, and is likely to push up unemployment next year by 300,000 to beyond the three million level.

The market will increasingly scrutinise Spain. The Spanish treasury needs to raise a total *of $55bn before the end of the* year, some $17bn of it in net new financing, in order to service the deficit.

Tom Burns

FT/ISMA INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHT	Issued	Bid price	Chg on week	Yield
ABBEY NATIONAL 9 3/4 94	200	107¼		4.26
ABN 9 1/8 94	200	108	+⅛	4.46
AETNA LIFE & CAS 7 3/4 16	200	104	+1	7.38
ALBERTA PROVINCE 8 5/8 96	750	110½	+½	5.71
ALBERTA PROVINCE 9 3/8 95	600	111⅞	+¼	5.09
AMERICAN EXPRESS ZERO 00	450	54	+⅛	7.81
AMERICAN GENERAL 9 3/4 95	100	110⅜	+⅛	5.36
AMERICAN INTL 0 04	750	41⅞	+1⅛	7.61
ASIAN DEV BANK 0 04	1000	42⅝	+⅞	7.42
ASIAN DEV BANK 8 96	100	108⅜	+½	5.56
AUSTRALIA 11 95	200	114¼	+¼	4.91
AUSTRIA 7 3/4 97	200	107⅞	+½	5.69
AUSTRIA 8 1/2 00	400	111¼	+⅝	6.51
AUSTRIA 9 1/4 96	100	112⅞	+⅛	5.35
BANK OF TOKYO 8 3/8 96	100	108⅜	+⅝	5.65
BARCLAYS JERSEY 10 5/8 95	250	115	+¼	5.40
BASF FIN EUROPE 7 99	200	102¼	+⅝	6.49
BAYER USA 8 1/4 96	150	109⅝	+½	5.58
BELGIUM 8 97	300	108¼	+¼	5.66
BELGIUM 8 3/4 98	400	112⅛	+⅝	6.04
BELGIUM 9 2 10	500	116¼	+1	7.51
BELGIUM 9 5/8 98	250	116½	+¼	6.13
BFCE 7 3/4 97	150	108¼	+⅝	5.61
BFCE 9 1/4 95	150	112½	+½	4.85
BNP 8 5/8 94	300	107½		4.28
BOOTS 9 97	175	110⅝	+½	6.11
BP AMERICA 9 3/4 99	250	114⅞	+½	6.80
BP CAPITAL 9 1/8 94	75	106⅝	+⅛	4.48
BPCA FINANCE 8 3/8 98	150	108⅝	+⅝	6.46
BRITISH GAS 8 3/8 99	350	109⅝	+⅝	6.60
BRITISH TELECOM FIN 8 3/4 99	200	112	+½	6.52
BRITISH TELECOM FIN 9 3/8 98	250	114⅝	+½	6.41
CAISSE NAT ENERGIE 11 3/4 95	125	115¼	+¼	4.51
CANADA 9 96	1000	112	+¼	5.06
CANADA 10 95	500	114½	+¼	4.89
CANADIAN PACIFIC 7 1/2 96	100	105	+¼	5.91
CARIPLO 8 3/4 98	200	109⅞	+½	6.62
CATERPILLAR FIN SERV 0 94	140	94	+⅛	4.66
CCCE 8 3/4 99	200	112⅝	+⅝	6.45
CCCE 9 1/4 95	300	110⅝	+¼	4.49
CENTRUST SAVINGS 0 10	1200	14		11.98
CHEVRON CORP 8 1/4 96	300	103½		7.07
CHUBU ELEC POWER 8 1/4 98	350	108⅝	+⅝	6.46
CIA NAVIERA PEREZ 9 96	100	99½		9.46
CNCA 7 1/2 94	150	104½	+¼	4.04
CNT 8 1/2 93	160	101⅝		3.91
COCA-COLA AMATIL 7 5/8 96	175	107¼	+⅛	5.60
COMM BK AUSTRALIA 10 93	100	106¼	+⅛	3.91
COMP BANCAIRE 8 1/4 94	250	106¼	+¼	4.32
COUNCIL EUROPE 8 96	100	107⅞	+¼	5.65
CREDIT FONCIER 7 1/2 94	150	104⅞		3.95
CREDIT FONCIER 9 1/4 95	200	112⅛	+⅛	4.79
CREDIT FONCIER 9 1/2 99	300	116¼	+⅝	6.32
CREDIT LOCAL 8 7/8 99	250	113⅞	+¼	6.49
CREDIT LYONNAIS 9 96	300	111⅞	+½	5.46
CREDIT NATIONAL 7 3/4 94	200	105¼		4.13
CREDIT NATIONAL 8 1/4 93	200	102⅛		3.72
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SAINSBURY 9 1/8 96	150	111⅝	+¼	5.85
SAS 10 99	200	111⅝	+¼	7.62

	Issued	Bid price	Chg on week	Yield
SAS 10 1/8 95	150	111½	+¼	6.04
SBAB 9 1/2 95	500	110⅝	+½	5.11
SBC FINANCE 7 3/4 96	200	108	+⅛	5.34
SEAGRAM CO 8 1/2 96	100	102⅞		7.52
SEARS EURO TRUST 8 3/4 96	750	108⅝	+⅛	5.92
SEARS O/S FIN 0 98	500	67¼	+½	7.11
SEARS ROEBUCK EURO 9 3/4 95	500	109⅞	+¼	5.45
SNCF 7 1/4 94	175	104¼		3.96
SNCF 9 1/2 98	150	116½	+¼	6.11
STATE BK NSW 8 1/2 96	200	109⅜	+½	5.64
STATOIL 7 5/8 94	200	104	+¼	4.53
SWEDEN 8 1/8 94	150	106½	+¼	[illegible]
SWEDEN 9 1/4 98	350	113⅞	+⅛	[illegible]
SWEDISH EXPORT 8 3/8 96	700	109⅝	+¼	[illegible]
TAIYO KOBE 7 3/4 94	100	103⅞		[illegible]
TOKAI ASIA 11 1/2 95	100	114½	+¼	[illegible]
TOKYO ELEC POWER 8 3/4 96	300	111	+¼	[illegible]
TOKYO METROPOLIS 8 1/4 96	200	109⅞	+½	[illegible]
TOKYO METROPOLIS 9 1/4 94	200	108⅝	+¼	[illegible]
TOYOTA MOTOR CRED 8 1/2 94	200	107½	+½	[illegible]
UBS FIN 9 1/8 02	225	113⅞	+⅞	[illegible]
UNILEVER CAP CORP 9 1/4 00	400	114⅝	+⅝	[illegible]
UNION BK FINLAND 8 94	200	104½	+¼	[illegible]
URUGUAY 8 1/4 95	100	103		[illegible]
VENEZUELA 9 3/4 96	150	101¼	-1½	[illegible]
VICTORIAN PUB AUTH 8 3/8 96	100	109¼	+½	[illegible]
WARNER-LAMBERT 8 1/8 96	100	108⅛	+⅛	[illegible]
WORLD BANK 8 1/8 01	1500	110⅝	+1	[illegible]
WORLD BANK 8 3/8 99	1500	112⅛	+⅝	[illegible]
WORLD BANK 8 3/4 97	1500	113	+⅝	[illegible]
XEROX CORPN 8 3/8 96	100	108¼	+⅝	[illegible]
YOKOHAMA 8 01	200	107¼	+⅛	[illegible]

FLOATING RATE NOTES	Issued	Bid price	Chg on week	C.cpn
ALASKA HOUSING 1/10 01	125	98.88	-.01	[illegible]
ALLIANCE & LEICS 0.08 94 £	300	99.71	-.03	[illegible]
ALLIANCE & LEICS 0 1 95 £	150	99.87		[illegible]
AMERICAN EXPRESS BK 1/8 99	200	93.45		[illegible]
ANGLIA 1/8 98 £	100	99.91		[illegible]
ANZ BANKING 0 15 PERP	300	75.33	+.08	[illegible]
AUSTRIA -0 15 05 DM	700	98.63	+.01	[illegible]
BANCO ROMA 0 03 01	200	89.08	-.35	[illegible]
BANK NEW YORK 3/16 97	200	98.81	+.08	[illegible]
BANK OF GREECE 1/4 99	250	97.68	-.16	[illegible]
BANK OF MONTREAL 1/20 98	250	97.80	-.03	[illegible]
BANKERS TRUST 1/16 00	300	98.74	+.07	[illegible]
BANKERS TST INTL CAP 1/8 96	200	99.79	+.05	[illegible]
BANQUE INDOSUEZ 1/4 97	125	99.90	-.06	[illegible]
BARCLAYS O/S INV 1/8 04	350	99.15	+.02	[illegible]
BBL INTL 0.05 01	200	93.73	-.16	[illegible]
BCI 0 15 98	300	92.51	-.11	[illegible]
BELGIUM 94	200	100.03		[illegible]
BELGIUM 96	400	99.85		[illegible]
BELGIUM 00 ECU	250	99.61	-.06	[illegible]
BELGIUM 1/16 97 DM	500	100.08	+.03	[illegible]
BFCE -0.02 96	350	99.95	+.02	[illegible]
BILBAO INTL 0.015 01	150	98.45	+.03	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid price	Chg on week	Yield
ASIAN DEV BANK 6 10	100	92	+⅛	6.78
AUSTRIA 4 5/8 98	100	93	+⅛	6.19
COUNCIL EUROPE 4 3/4 98	250	92½	+⅛	6.44
EEC 5 1/2 00	100	94	+2	6.47
ELEC DE FRANCE 7 1/4 06	100	104	+½	6.73
FINLAND 5 3/8 95	150	96½	+1	6.67
GENERAL MOTORS 7 1/2 95	100	100¼	-⅛	7.36
HYUNDAI MOTOR FIN 8 1/2 97	100	101	+¼	8.24
JAPAN DEV BK 5 1/2 94	100	98¼		6.86
KOBE 6 3/8 01	240	98½	+1	6.60
NEW ZEALAND 4 7/8 99	200	90	+⅛	6.87
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.

Closing prices on October 2

INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS

Borrowers putting their faith in the US dollar

THE US dollar surged back to centre stage in the international bond market in the third quarter of this year as Europe's currency markets wavered, then cracked under the pressure of the ERM.

Figures for the three months to the end of September show the huge reliance now being placed by borrowers on the US currency. Some $31.2bn of Eurodollar bonds were issued, 56 per cent of the total amount raised on the international markets. After the steady decline of the Eurodollar bond – it accounted for more than half of all borrowing in 1989, but had shrunk to only 31 per cent by last year – the renaissance has been startling.

Against the background of low US interest rates, the use of the currency has been all the more notable. Hence the renewed interest in "collared" floating-rate notes, typically offering a minimum coupon of 5 per cent, of which more than $6bn have been issued in recent weeks. However, interest in these bonds in the secondary market will evaporate quickly should US rates climb back above 5 per cent.

All the signs now point to further use of the dollar, along with the other traditional currencies for international borrowing – the D-Mark and the yen.

The Ecu, a putative international reserve currency earlier this year, has been stopped dead in its tracks. Nearly 15 per cent of all international bond issuance last year was undertaken in the Ecu. Over the last three months, due to the the Danish vote on the Maastricht treaty in June, that proportion has fallen to less than 1 per cent.

Other "fringe" European currencies, which had become popular as investors looked for ways to trade on the convergence of European bond yields, have also lost their appeal. And the Canadian dollar – another popular currency, accounting for nearly 10 per cent of bonds issued last year – is unlikely to be taken up again until there is a clear end to Canada's constitutional uncertainties.

Ironically, it is the European countries which have suffered most in the upheaval of the ERM that are likely to be the biggest borrowers in the dollar, D-Mark and yen in the months ahead, for three reasons.

First, they have yawning fiscal deficits to finance. Continuing recession in several European countrics has depressed tax revenues and pushed up social security payments. Investors are only half persuaded by the recent efforts of countries like Spain and Italy to hold down their deficits, a fact which has helped to fracture ERM.

Second, the interest of international investors in the domestic bond markets of these countries has shrunk. That leaves countries with the prospect of borrowing more from domestic savers, thereby pushing up long-term interest rates, or borrowing in foreign currencies. Doing the latter could also help to persuade international investors of their will not to devalue, something from which Italy benefited as it announced new foreign currency borrowing plans last Thursday.

Third, a range of countries, from Scandinavia to Italy, Spain, the UK and Ireland, have either seen their foreign currency reserves fall sharply as a result of intervention in the exchange markets, or face the prospect of repaying the Bundesbank in D-Marks for its own support of their currencies. Either way, the need to borrow in D-Marks has risen sharply.

The trouble is, the credit standing of several of these countries has been declining sharply. Last week, *Moody's Investors Service, the US* rating agency, said it was considering downgrading both Spain and Sweden. Sweden, a top-rated name until the beginning of 1991, is currently classed AA1, while Spain is AA2. They could be set to follow Italy, which fell to AA3 this summer, perilously close to the single-A status which would push it outside the ranks of general acceptability in the investment world.

Demand for European currencies, including the D-Mark, accounts for Deutsche Bank's position as the most active bookrunner in the Euromarket in the first nine months of this year. It took the lead in 8.2 per cent of the $204bn raised.

Mr Roger Bates, of Deutsche Bank in London, says that demand for Eurobonds could be weak in the near future as investors concentrate on reducing their currency risks. That could raise the cost of borrowing in the international bond market still further, after a rise in yields which has already been noticeable in the past fortnight.

However, Mr Bates adds: "When things stabilise, they [investors] will start to think of performance again" – leading to renewed interest in Eurobonds.

Richard Waters

TOP EUROBOND BOOK RUNNERS

	First nine months 1992				First nine months 1991			
Manager	$bn	Rank	%	Issues	$bn	Rank	%	Issues
Deutsche Bank	16.61	1	8.18	67	9.74	5	5.14	61
Nomura Int. Group	14.62	2	7.20	66	17.80	1	9.40	99
Crdt Suisse/CSFB	12.77	3	6.28	67	13.01	2	6.87	50
Merrill Lynch	10.51	4	5.17	44	7.91	8	4.18	29
Goldman Sachs	10.12	5	4.98	35	7.53	9	3.98	38
Paribas	10.04	6	4.94	38	10.77	3	5.69	26
UBS	9.09	7	4.47	39	6.86	11	3.62	28
Morgan Guaranty	8.37	8	4.12	30	5.97	14	3.15	31
Daiwa Securities	7.13	9	3.51	53	10.60	4	5.60	70
Nikko Securities	7.04	10	3.47	42	7.22	10	3.81	60
Yamaichi	6.30	11	3.10	43	8.85	7	4.67	62
IBJ	5.47	12	2.69	19	4.62	16	2.44	21
CCF	5.05	13	2.49	17	3.12	19	1.65	10
Shearson Lehman	4.96	14	2.44	25	1.40	31	0.73	9
Swiss Bank Corp.	4.45	15	2.19	24	6.41	12	3.38	26
Salomon Brothers	4.33	16	2.13	21	5.66	15	2.99	17
Morgan Stanley	3.98	17	1.96	20	8.95	6	4.73	15
Dresdner Bank	3.81	18	1.88	15	3.24	17	1.71	20
Crédit Lyonnais	3.19	19	1.57	17	2.92	20	1.54	14
ABN-Amro Bank	3.07	20	1.51	19	0.65	39	0.34	3
Industry totals	†204.02			1032	190.16			1026

† Preliminary Figures - Full credit to book runner

Source: IFR BONDBASE

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
GECC(e)‡	100	2003	10.25	(e)	100	K.Peabody/Paribas	-
Sudwestdeutsche LBk(f)‡	150	2004	12	(f)	100	Merrill Lynch Int.	-
Banco Economico(Cay.)(g)	50	1994	2	11	99.56	Swiss Bank Corp.	11.252
Kingdom of Denmark	500	1997	5	5.5	99.34	Daiwa Europe	5.655
Republic of Argentina	250	1997	5	8.25	100.06	CSFB	8.235
JDC Corp.(i)‡	100	1996	4	(i)	100	Nikko Europe	-
JDC Corp.(i)‡	100	1997	5	(i)	100	Nikko Europe	-
Chiyoda Corp.(l)♦	270	1996	4	1.5	100	Nomura Int.	-
Samsung E-M Co.(o)♦	40	1997	4	4.25	100	CSFB	-
Pohang Iron & Steel	300	1997	5	6.375	99.69	Goldman Sachs Int.	6.449
STERLING							
NFC(r)§	82.5	2007	15	7.75	100	BZW	-
AUSTRALIAN DOLLARS							
BNP(p)	50	2002	9.79	9	99.2	Hambros Bank	9.117
D-MARKS							
Kamigumi Co.(a)♦	300	1996	4	4.125	100	Nomura Bk(Deutsch.)	-
San Paolo (Ldn)(k)★★‡	150	1997	5	(k)	100	San Paolo (Firt)	-
Crédit Suisse(Guernsey)	500	2002	10	0	50.1	CSFB Effectenbank	7.156
Republic of Ireland	300	2002	10	7.75	102.25	Dresdner Bank	7.423
Montreal Urban Community	130	2002	10	8.125	102	Bayerische LB	7.829
Bayerische LB Int. Lux.	300	1997	5	7.5	101	Bayerische LB	7.254
Grand Tamakoshi(s)‡★★	20	1997	5	(s)	100	DKB (Deutsch.)	-
GUILDERS							
Electricite de France	200	1998	4	7.875	100.7	ABN AMRO	7.665
SCHILLINGS							
Republic of Finland	1bn	2002	10	8.25	101.25	Creditanstalt	8.063
SWISS FRANCS							
Nippon Piston Ring(b)♦★★	50	1996	4	3.375	100	Crédit Suisse	-
Miyaji Iron Works(c)♦★★	30	1996	4	3.375	100	Swiss Volksbank	-
Yamato Setubi(d)♦★★	40	1996	4	3.375	100	Nomura Bk(Switz.)	-
Shinobu Foods(j)♦★★	40	1996	4	3.25	100	Nomura Bk(Switz.)	-
Daito Gyorui Co.(m)♦★★	25	1996	4	3.25	100	Nikko Bk(Switz.)	-
La Poste	150	1997	5	6.5	101.5	UBS	6.143
Keiyo Co.(q)♦★★	80	1996	4	3.125	100	Bank Leu	-
Council of Europe	150	1999	7	6.5	101.75	Banca del Gottardo	6.184
City of Stockholm★★	75	1997	5	6.75	101.25	UBS	6.450
Kelag★★	50	2002	10	6.625	101.75	UBS	6.383
LUXEMBOURG FRANCS							
Crédit Comm. de France	1.5bn	2002	10	8.75	102	BGL	8.446
Credito Romagnolo(h)	300	1995	2.58	9.75	102¾	Kredietbank	8.489
Goldman Sachs Group★★	1bn	1997	5	9	101.97	Banque UCL	8.500
Tractebel Invest Int.	2bn	2002	10	0	44.75	Crédit Européen	8.373
Crédit Lyonnais Paris	1bn	2002	10	8.75	102.25	Crédit Lyonnais Lux.	8.408
BFCE(n)	1bn	2002	10	8.75	102.05	BGL	8.438
CSFB Finance (Neth.)	2.5bn	1998	6	9	102.15	Crédit Européen	8.527

Final terms and non-callable unless stated. ★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. ♦Variable rate note. a) Exercise premium fixed at 2.5%. b) Exercise premium fixed at 2.5%. Callable from 8/10/94 at 101% declining by ½% annually. c) Exercise premium fixed at 2.57%. Callable from 8/4/94 at 101¼% declining by ¼% semi-annually. d) Exercise premium fixed at 2.62%. Exercise price is to be refixed on 2/12/94, effective from 19/12/94. Callable from 8/10/94 at 102% declining by ½% semi-annually. e) Coupon pays ¼% below 6-month Libor. Minimum coupon is 5%, maximum 8½%. f) Coupon pays ¼% below 6-month Libor. Minimum coupon is 5%, maximum 9¼%. g) Coupon payable semi-annually. h) The issue launched on 10/9/92 is increased to LFr1.5bn. i) Coupon pays 35b above 6-month Libor. j) Final terms fixed on 15/10/92. Callable on 15/10/94 at 102% declining by ½% semi-annually. k) Coupon pays 6-month DM Libor. l) Final terms fixed on 7/10/92. m) Final terms fixed on 5/10/92. n) Borrowers full name is 'Banque Francaise du Commerce Exterieur'. o) Exercise premium fixed at 6%. p) Fungible with existing A$125m 40 days after paydate. Plus 75 days accrued interest. q) Callable on 20/10/94 at 101% declining by ¼% semi-annually. Final terms fixed on 5/10/92. r) Conversion premium fixed at 18.6% premium. Coupon is payable semi-annually. Callable after 15/3/98 at par. s) Coupon pays 35bp above 6-month DM Libor. Note: yields calculated on ISMA basis.

Anthony Harris

Departures that are overdue

THE contemptuous downgrading of sterling on Friday was a continuous vote of no confidence in the British government, confirmed by every whinge to be heard from Whitehall. Everyone was in favour of our policy; it was the speculators; it was them, not us; nobody told us; everybody got their forecasts wrong; it could have happened to anyone... and a pfennig or more for each pathetic thought.

Pathetic is indeed too kind a term; for these are all untruths. Signs of trouble were everywhere. German fears about the level of sterling were public from the first day. The whole market was expecting a crisis around the French referendum; and after the lira devaluation it was prudence, not speculation, to go short of suspect currencies. The authorities could have heard warnings in any City bar.

There were also plenty of longer-term warnings. Not only from Sir Alan Walters (surely Mr Major can remember him?) and the Liverpool Six, but from Professor Wynne Godley in Cambridge and from a number of City economists. It is not even true that nobody in the Treasury or the Bank of England gave timely warnings. All of them were simply ignored.

The prime minister may have imagined that he was following the example of Lady Thatcher in this "not one of us" attitude to dissent, though she was far more pragmatic. It led directly to what is a disaster without precedent: a government caught not only with a discredited policy, which is common enough, but with no contingency plans for trouble. It is this failure which continues to undermine confidence.

Until the government appears to be coming to grips with reality, it can expect neither to make a success of floating, nor to be welcomed back into the comfortless shelter of the ERM. We lack even the basis of a policy. Meanwhile, talk of long-term objectives – low inflation, or tax cuts, or a place at the heart of Europe – is simply fantasising.

The government wants to be seen as serious: it must first show that it is seeking to understand rather than to excuse what went wrong. It started a long time ago. There has been no sign that anyone in the Treasury has at any time understood the consequences of the disastrous Lawson credit inflation, and the Bank's warnings were ignored. This left the economy too weakened by debt to withstand the rigours of a Bundesbank policy even in normal times, let alone in a reunification crisis. Hence the stream of cloud-cuckoo forecasts.

And the same officials were not only unaware in advance that the ERM exchange rate was overvalued; they continue to deny it. There is no space here to go in to the sloppy theory behind this obstinacy. It is enough for the moment to say that you cannot hope to impress the markets by telling them that they are stupid, and a government which professes to believe in market discipline *should not put up with such arrogance* for a moment.

The first step, then, would be to admit that the government has been guided by dreadful advice; and the second, to seek better. The Treasury should be calling in some of those who were right when it was wrong: its *bête noire*, Sir Alan Walters; some of the City monetarists who saw most of what was coming; and perhaps the economic modellers of Liverpool and Cambridge, whose official research funds were cut off because, it seems, their methods were too unlike those which have failed at the Treasury.

It is a bit late, though, to hope to inspire confidence simply by showing that ministers are now willing to listen to both sides of an argument. The markets need to know that the old errors have been discarded; and the most convincing way to doing that is not only to bring in new advisers, but get rid of the old ones. This might even, in present circumstances, mean getting rid of the minority who were right, in the Bank as well as the Treasury, as well as the rest. This would not be fair, but fairness may be more than we can afford at the moment. All that matters is to be convincing.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 06.10.92: Pool purchase price £/MWh	Final Prices for Trading on 07.09.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.46	17.70	17.70
0100	17.58	17.70	17.70
0130	18.73	17.69	17.69
0200	18.54	17.69	17.69
0230	17.46	17.69	17.69
0300	17.46	17.69	17.69
0330	17.46	17.69	17.69
0400	17.46	17.69	17.69
0430	17.46	17.61	17.61
0500	17.46	17.61	17.61
0530	17.50	17.69	17.69
0600	17.49	17.48	17.48
0630	17.53	20.66	22.69
0700	21.69	22.21	24.01
0730	25.88	23.90	25.74
0800	26.84	23.77	25.56
0830	26.84	26.61	28.45
0900	27.18	27.25	29.11
0930	31.25	28.20	30.10
1000	31.25	28.24	30.14
1030	28.84	28.24	30.13
1100	27.18	27.36	29.18
1130	27.19	27.37	29.19
1200	27.19	27.36	29.19
1230	27.76	27.32	29.13
1300	27.76	27.26	29.06
1330	26.84	25.54	27.28
1400	25.86	25.52	27.28
1430	25.88	24.78	26.50
1500	25.88	24.77	26.49
1530	25.88	24.65	26.38
1600	25.88	24.77	26.48
1630	26.88	24.67	26.39
1700	28.88	28.07	29.88
1730	28.88	28.07	29.87
1800	22.12	28.04	29.86
1830	21.70	24.17	25.89
1900	33.58	21.70	21.70
1930	34.86	22.00	22.00
2000	34.95	22.00	22.00
2030	33.57	28.01	29.81
2100	25.52	28.01	29.81
2130	25.52	27.89	29.70
2200	24.63	23.90	25.63
2230	21.21	22.00	22.00
2300	21.25	22.00	22.00
2330	17.82	17.79	17.79
2400	17.71	17.78	17.78

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.86/MWh becomes 1.886p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.

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Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 04.10.92: Pool purchase price £/MWh	Final Prices for Trading on 06.09.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.70	20.35	22.18
0100	17.46	17.70	17.70
0130	17.46	17.69	17.69
0200	17.48	17.58	17.58
0230	17.48	17.58	17.58
0300	17.46	17.58	17.58
0330	17.46	17.58	17.56
0400	17.44	17.58	17.58
0430	17.44	17.56	17.56
0500	17.44	17.56	17.58
0530	17.44	20.65	22.54
0600	17.45	17.69	17.69
0630	17.44	20.65	22.57
0700	17.45	17.58	17.59
0730	17.44	20.85	22.55
0800	17.46	20.65	22.49
0830	18.73	21.10	22.96
0900	20.43	22.11	24.00
0930	20.79	22.83	24.72
1000	22.00	22.11	23.87
1030	22.47	24.18	26.10
1100	24.78	26.08	28.02
1130	24.78	26.08	28.02
1200	28.00	36.96	39.22
1230	28.00	36.96	39.20
1300	28.00	36.96	39.20
1330	28.00	27.84	29.84
1400	24.78	25.90	27.87
1430	22.12	25.90	27.88
1500	17.71	17.85	17.85
1530	17.70	17.76	17.76
1600	17.70	17.76	17.76
1630	17.70	17.71	17.71
1700	17.70	17.71	17.71
1730	21.29	17.76	17.76
1800	21.29	17.79	17.79
1830	22.27	21.72	23.56
1900	24.78	22.20	24.05
1930	28.00	22.83	24.69
2000	28.00	28.03	30.04
2030	28.00	28.03	30.01
2100	25.12	28.31	30.29
2130	25.12	28.31	30.31
2200	25.12	28.31	30.34
2230	22.27	28.24	28.23
2300	21.78	22.73	24.62
2330	21.14	22.73	24.64
2400	17.63	17.76	17.76

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.86/MWh becomes 1.886p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.

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ALLIANCE + LEICESTER
Alliance & Leicester Building Society
£200,000,000
Floating Rate Notes due 1993

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 30th December, 1992 has been fixed at 9.1875% per annum. The interest accruing for such three month period will be £228.43 per £10,000 Bearer Note, and £2,284.32 per £100,000 Bearer Note, on 30th December, 1992 against presentation of Coupon No. 17.

Union Bank of Switzerland
London Branch Agent Bank
30th September, 1992

WORLD TEXTILES

The FT proposes to publish this survey on
November 12 1992.
Textiles are one of the most heavily traded goods in the world. To discover what the FT is planning for this survey and how to reach our international audience of decision makers, financiers and government administrators contact:
Ruth Pincombe
Tel: 061-834 9381
Fax: 061-832 9248
Alexandra House,
Queen Street,
Manchester M2 5LF

FT SURVEYS

Milk Marketing Board

£75,000,000 Floating Rate Notes 1993

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the three month period 30th September, 1992 to 31st December, 1992 has been fixed at 9⅛ per cent. per annum. Coupon No. 27 will therefore be payable on 31st December, 1992 at £1,146.86 per coupon from Notes of £50,000 nominal and £114.69 per coupon from Notes of £5,000 nominal.

S.G.WARBURG & CO. LTD.
Agent Bank

WORLD STOCK MARKETS

CANADA

TORONTO

4 pm close October 2

MONTREAL

4 pm close October 2

Total Sales 17,916,400 shares

INDICES

NEW YORK

DOW JONES	Oct 2	Oct 1	Sep 30	Sep 29	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3200.61	3254.37	3271.66	3266.80	3413.21 (1/6)	3172.41 (2/1)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	102.72	102.94	102.91	102.98	103.20 (18/9)	98.41 (20/3)	103.20 (18/9/92)	54.99 (1/10/81)
Transport	1246.75	1260.45	1276.57	1287.65	1467.68 (20/2)	1204.40 (26/8)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	217.70	219.33	220.58	219.83	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

DJ Indl. Day's High 3259.51 (3291.39) Low 3193.59 (3237.35) (Theoretical)♦
Day's High 3259.24 (3280.58) Low 3198.72 (3246.27) (Actual)♦

STANDARD AND POOR'S	Oct 2	Oct 1	Sep 30	Sep 29	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	410.47	416.29	417.80	416.80	425.27 (14/9)	394.50 (8/4)	425.27 (14/9/92)	4.40 (1/6/32)
Industrials	480.84	487.99	490.49	489.96	503.30 (14/9)	470.91 (8/4)	503.30 (14/9/92)	3.62 (21/6/32)
Financial	35.80	36.29	36.01	35.63	36.66 (3/8)	32.40 (8/4)	36.66 (3/8/92)	8.64 (1/10/74)
NYSE Composite	225.81	228.73	229.46	228.90	233.73 (14/9)	217.92 (8/4)	233.73 (14/9/92)	4.46 (25/4/42)
Amex Mkt. Value	371.24	374.81	376.72	375.61	418.99 (12/2)	371.24 (2/10)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	571.63	578.33	583.27	577.63	644.92 (12/2)	547.84 (26/6)	644.92 (12/2/92)	54.87 (31/10/72)

	Sep 25	Sep 18	Sep 11	year ago (approx.)
Dow Industrial Div. Yield	3.19	3.10	3.12	3.08

	Sep 30	Sep 23	Sep 16	year ago (approx.)
S & P Industrial div. yield	2.70	2.68	2.63	2.73
S & P Indl. P/E ratio	27.40	27.57	27.77	21.15

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
IBM	3,289,100	78½	- 1⅛
JWP	2,904,600	3⅞	- 3⅛
Merck	2,850,400	43	- 1⅛
Oklaho G & E	2,484,100	34⅞	- ⅛
Time Warner	2,385,800	23⅛	+ ⅛
Gen Motors	2,214,200	30⅞	- ⅛
Telefonos	1,961,300	44½	---
RJR Nabisco	1,901,900	8⅞	- ⅛
US Surgical	1,848,700	59⅛	- 4⅞
Coca Cola	1,755,800	39⅛	- ⅛

TRADING ACTIVITY

† Volume (Millions)	Oct 2	Oct 1	Sep 30
New York SE	187.400	203.670	184.220
Amex	10.076	11.077	11.623
NASDAQ	(u)	185.128	187.133
NYSE			
Issues Traded	2,312	2,310	2,332
Rises	439	722	1,031
Falls	1,314	1,003	690
Unchanged	559	585	611
New Highs	30	51	57
New Lows	74	43	34

CANADA

TORONTO	Oct 2	Oct 1	Sep 30	Sep 29	1992 HIGH	1992 LOW
Metals & Minerals	2736.48	2792.58	2830.96	2841.07	3238.87 (16/1)	2736.48 (2/10)
Composite	3231.10	3275.04	3297.88	3327.24	3666.00 (16/1)	3231.10 (2/10)
MONTREAL Portfolio	1668.96	1694.57	1699.56	1719.48	1937.59 (16/1)	1668.96 (2/10)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

	Oct 2	Oct 1	Sep 30	Sep 29	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1483.0	1472.1	1485.1	1487.7	1684.50 (22/5)	1472.10 (1/10)
All Mining (1/1/80)	656.1	653.5	660.4	665.2	726.80 (3/7)	652.40 (9/9)
AUSTRIA						
Credit Aktien (30/12/84)	328.55	329.27	326.64	332.85	458.57 (24/2)	291.41 (13/8)
Traded Index (2/1/91)	799.32	802.36	795.56	812.46	1099.43 (24/2)	682.96 (13/8)
BELGIUM						
BEL20 (1/1/91)	1099.81	1109.17	1109.17	1107.20	1235.40 (2/6)	1046.07 (2/9)
DENMARK						
Copenhagen SE (3/1/83)	266.44	264.34	262.79	262.57	365.29 (15/1)	262.57 (29/9)
FINLAND						
HEX General (28/12/90)	624.8	625.7	611.6	596.6	935.90 (24/2)	541.00 (7/9)
FRANCE						
CAC General (31/12/81)	464.90	471.46	463.14	468.62	555.93 (12/5)	462.23 (2/9)
CAC 40 (31/12/87)	1683.34	1724.00	1736.73	1731.42	2077.49 (11/5)	1667.72 (25/8)
GERMANY						
FAZ Aktien (31/12/58)	585.93	584.91	584.38	583.58	725.26 (26/5)	582.34 (26/8)
Commerzbank (1/12/53)	1653.7	1650.2	1647.1	1646.8	2043.80 (25/5)	1642.70 (26/8)
DAX (30/12/87)	1478.04	1484.03	1466.36	1476.26	1811.57 (25/5)	1466.36 (30/9)
HONG KONG						
Hang Seng Bank (31/7/64)	5595.44	5528.84	5505.44	5581.92	6162.53 (16/7)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1146.73	1143.27	1144.05	1161.20	1469.57 (17/1)	1143.27 (1/10)
ITALY						
Banca Com. Ital. (1972)	365.27	363.10	363.64	358.82	551.59 (6/2)	354.93 (16/9)
MIB General (2/1/92)	721.0	716.0	717.0	706.0	1086.00 (5/2)	696.00 (16/9)
JAPAN						
Nikkei (16/5/49)	17324.07	17369.91	17399.08	17748.09	23801.18 (6/1)	14309.41 (18/8)
Tokyo SE (Topix) (4/1/68)	1303.14	1304.43	1310.60	1331.72	1763.43 (6/1)	1202.50 (18/8)
2nd Section (4/1/68)	1712.78	1717.38	1725.30	1732.16	2459.85 (6/1)	1502.77 (19/8)
MALAYSIA						
KLSE Composite (4/4/86)	594.59	598.10	602.28	605.93	619.06 (20/2)	546.63 (14/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	290.6	291.9	291.9	291.9	314.90 (9/6)	274.00 (8/1)
CBS All Shr (End 1983)	195.9	196.8	196.8	196.8	215.50 (26/5)	189.70 (25/8)
NORWAY						
Oslo SE (Ind) (2/1/83)	600.83	602.62	589.03	584.38	772.74 (18/5)	532.43 (25/8)
PHILIPPINES						
Manila Comp (2/1/85)	1428.54	1418.11	1404.54	1395.36	1580.95 (11/6)	1083.81 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	362.06	363.50	363.81	363.63	416.99 (21/1)	354.15 (19/8)
SOUTH AFRICA						
JSE Gold (28/9/78)	887.0§	893.0	902.0	896.0	1327.00 (21/1)	857.00 (10/9)
JSE Industrial (28/9/78)	4181.0§	4199.0	4211.0	4196.0	4689.00 (4/6)	3973.00 (14/8)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	513.12	508.76	513.82	514.11	691.48 (8/2)	459.07 (21/8)
SPAIN						
Madrid SE (30/12/85)	186.28	186.01	192.95	193.62	266.51 (28/2)	186.01 (1/10)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	681.2	698.6	696.6	654.1	1014.50 (11/5)	654.10 (29/9)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	840.1	846.8	844.1	847.6	883.40 (11/5)	748.50 (8/1)
SBC General (1/4/87)	635.0	639.8	638.4	640.3	682.30 (11/5)	596.40 (26/8)
TAIWAN**						
Weighted Price (30/6/66)	3717.71	3584.08	3524.21	3397.29	5391.63 (30/1)	3351.63 (26/9)
THAILAND						
Bangkok SET (30/4/75)	880.71	859.68	847.00	850.52	880.71 (2/10)	667.84 (19/5)
WORLD						
M.S. Capital Intl (1/1/70) (§)	495.2*	499.0	501.0	501.8	542.10 (7/1)	467.50 (8/4)
Euro Top-100 (26/6/90)	805.59	813.17	814.80	812.67	976.55 (25/5)	743.32 (25/8)

**Saturday September 26: Taiwan Weighted Price: 3351.63, Korea Comp Ex. 524.23
§ Subject to official recalculation † Correction. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Friday, October 2 1992

	Stocks Traded	Closing Prices	Change on day
Nippon Mining ...	8.4m	506	-7
Green Cross	6.1m	1,550	+60
Shokusan Jutaku .	5.5m	580	+43
Mitsui Min & Sml	5.2m	499	-6
Aishin Seika ...	4.3m	996	+4
Toyo Kanetsu ...	4.2m	790	+15
Showa El Wire	3.6m	582	+22
Aaica Corp	2.6m	492	+52
Ishi-Har Hvy Ind .	2.6m	498	-2
Shinagawa Fuel .	2.5m	897	+67

FT MANAGED FUNDS SERVICE

● Unit Trust prices are available from FT Cityline, call 0891 43 + the five-digit code listed after the unit trusts. Calls charged at 36p/minute cheap rate and 48p/minute at all other times.

AUTHORISED UNIT TRUSTS

Murray Johnstone UT Mgmt (1000)H

7 West Nile St, Glasgow G2 2PX 0345 090 933

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Acumen	1	70.40	70.40	72.33	3.67	46327
Acumen Reserve	1	71.97	71.97	72.70	8.89	46328
American Income	1	137.40	137.40	140.40	2.75	41056
Equity Income	1	77.01	77.01xd	79.32	5.95	41057
European	1	52.50	52.50xd	53.67	2.02	41058
Smaller Cos	1	45.81	45.81	48.08	1.83	41060
Olympiad	1	42.60	42.60	43.76	1.84	41061
Olympiad Income	1	42.43	42.43	43.59	6.70	41062
UK Growth	1	69.55	69.55	72.14	2.18	41063
Pacific Growth	1	52.45	52.45	54.18	1.52	-
Japan Growth	1	63.44	63.44	64.79	0.00	-

NFU Mutual Unit Mngrs Ltd (1400)F

Admin: 5 Rayleigh Road, Hutton, Brentwood, Essex
Enquiries 0277 227300 Dealing 0277 261010

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Avon Equity	6	91.16	92.74	98.66	3.65	41071

NM Unit Trust Mngrs (1200)F

The Bilton Centre, North Harbour, Portsmouth
Enquiries: 0705 372222 Dealing: 0705 387730

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
American ♥	5¼	33.42	33.42	35.64	0.90	41072
(Accum Units) ♥	5¼	36.29	36.29	38.70	0.90	41073
Australian ♥	5¼	197.00	198.60	213.00	0.00	41074
(Accum Units) ♥	5¼	222.80	224.60	240.90	0.00	41075
Conscience	5¼	51.16	52.06	55.56	1.49	41076
(Accum Units)	5¼	54.54	55.50	59.23	1.49	41077
European	5¼	149.90	149.90	159.80	1.04	41078
(Accum Units)	5¼	159.90	159.90	170.50	1.04	41079
Extra Income	5¼	62.29	62.29	66.47	6.78	41080
(Accum Units)	5¼	92.13	92.13	98.32	6.78	41081
Far East Gth Acc	5¼	109.50	109.50	117.00	0.00	41082
Gilt & F.I.	5¼	53.87	53.87	57.03	8.08	41083
(Accum Units)	5¼	123.60	123.60	130.80	8.08	41084
Gold ♥	5¼	26.28	26.28	28.25	0.00	41085
(Accum Units) ♥	5¼	28.31	28.31	30.44	0.00	41086
Income	5¼	43.35	43.35	46.24	6.16	41087
(Accum Units)	5¼	126.90	126.90	135.30	6.16	41088
Intnl	5¼	23.31	23.31	25.01	1.04	41089
(Accum Units)	5¼	33.33	33.33	35.76	1.04	41090
Jap Smaller Cos	5¼	207.30	207.30	221.10	0.00	41091

MGM Unit Managers Ltd (1000)F

MGM House, Heene Rd, Worthing
Dealing. 0277 261010 Enq: 0903 204631

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
High Income	5	215.9	219.1xd	233.0	5.88	40887
(Accum Units)	5	358.3	363.5	386.7	5.88	46918
UK Growth	5	279.5	282.0xd	300.0	3.42	40888
(Accum Units)	5	342.3	345.5	367.5	3.42	46919
Int Equity Gth ♦	5	48.86	48.95	52.07	1.12	40889
Int Bond	5	59.68	59.68	62.67	6.29	40890
Special Sits Gwth	5	14.07	14.62xd	15.55	3.64	40891
North American Gwth	5	72.72	72.94xd	77.59	0.96	40892
European Growth ♦	6	52.16	52.46xd	55.80	1.15	40084

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

● Unit Trust prices are available from FT Cityline, call 0891 43 + the five-digit code listed after the unit trusts. Calls charged at 36p/minute cheap rate and 48p/minute at all other times.

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Sharp (Albert E.) & Co (1000)F						
Admin 5 Rayleigh Rd Hutton, Brentwood Essex						
Enquiries 0277 227300 Dealing 0277 261010						
Intl Bond & Conv	5	113 70	114 00	120 00	6 13	47424
Pooled Pension ‡	3½	128 5	132 9	137 5	–	47257
Smaller Cos	5	50 92	52 69	55 46	2 94	46203
UK General	5	104 20	106.00	111 60	2 79	–
Sheppards Unit Trust Mngmt Ltd (1200)F						
1 White Hart Yard, London Bridge SE1 071 407 5966						
Income	5	328 11	328 11	347 80	5 95	40913
Global Inc	5	47 53	47 53	50 38	4 86	40916
Brit Leaders	5	281 10	281 10	297 97	3 42	40914
Intl Leaders	5	148.21	148.21	157 10	2 09	40915
SS Balanced Gwth Acc ¶	3½	45 47	46.10	47 90	4 47	42800
SS Balanced Gwth Inc ¶	3½	45 47	46 10	47 90	4 47	–
Singer & Friedlander UT Mgmt Ltd (1000)F						
PO Box 224, Beckenham, BR3 4TF 081-663 3003						
European Trust	6	44.92	44 92	47 79	2 19	42492
Far Eastern Tst	6	–	–	50 00	1 00	–
Smaller Cos	5	106 8	111.3	118 3	3 36	47431
Smith & Williamson Unit Tst Mgrs (1600)F						
1 Riding House St, London W1A 3AS 071-637 5377						
S & W American ‡	5	215 9	216 2	228 8	1 01	41390
S & W Capital	5	98 12	98 12	105 2	1.99	40081
S & W Cash ‡	0	100 32	100 32	100 32	9 40	47903
S & W European	5	99 70	100 1	105 9	1 55	40253
S & W Far Eastern	5	92 45	93 15	98 96	0 21	46974
S & W Growth	5	106 9	108 1	114 3	1 73	41391
S & W Income	5	91 80	93 13	98 54	6 04	41392
S & W Magnum	5	103 8	103 8	111 3	1 93	47880
S & W Smllr Secs	5	229 6	235.6	249 3	1 14	41393
S & W Thoroughbred	5	120 0	120 0	128 7	1 86	40263
Societe Generale Touche Remnant (1600)F						

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Whittingdale Unit Tst Mgmt Ltd (0830)F						
2 Honey Lane London EC2V 8BT 071-600 0462						
Challenger	2¼	78.06	78.06	79 89	0 00	41596
Short Dtd Gilt	1¼	101 6	101 6	102 9	1 93	41597
U.S. Govmnt Bond	1¼	0 7063	0 7063	0 7155	0 00	41599
Gilt Income	4	48.84	48.84	50.82	9 30	47010
Gilt Growth	4	59 78	59.78	62 21	0 00	47009
City Reserve	0	54 67	54 67	54.67	9 80	47006
Woolwich Unit Trust Managers Ltd (1700)H						
1 White Oak Square, Swanley BR8 7AG 0705 388046						
Stockmarket F & F	5	55 83	56 04	59 61	2 78	45998

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	Yield Gross	City-line
Baillie Gifford & Co Ltd				
Inc I Exmpt Sep 16	530 6	547 5	1 27	40105
James Capel Fund Managers Ltd				
Managed Exempt	112 417	118 905	4 66	43128
Cent. Bd. of Fin. of Church of England‡‡				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Inv Fund Sep 30	517 80	519 90	3.69	40251
Fxd Int Sec Sep 30	144.40	145 00	10 00	40252
Deposit Fund. See Money Market Trust Funds				
Charinco/Charishare‡‡ (1000)F				
33 King William Street, EC4R 9AS 071-280 2800				
Charinco Inc	165.7	167 6	9.79	40254
Charinco Acc	948.5	959 5	9 79	40255
Charishare Inc	165 7	169 4	4 66	40256

INSURANCES

Continued on next page

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Prolific Life & Pensions Ltd

Stramongate, Kendal, Cumbria LA9 4UB 0539 733733

Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	Yield Gross	City-line
Life Funds				
Balanced Gwth Mngd	614.0	646.7	–	43315
Adventurous Mngd	133.0	142.2	–	46402
Cautious Mngd	131.4	138.3	–	46403
Cash Fd	[illegible]	327.6	–	43316
Property Fund	214.6	226.3	–	43317
Equity Fund	641.0	682.0	–	43318
Fxd Int. Fund	367.3	387.8	–	43319
International	291.9	307.4	–	43320
High Income	517.9	544.6	–	43321
Far East	378.4	400.4	–	43322
North American	338.4	360.0	–	43323
Special Sits	469.4	499.4	–	43324
Technology	332.4	350.7	–	43325
Extra Inc Fd	277.3	294.9	–	43326
Convertible & Gilt Fd	132.6	141.1	–	43327
American Income	148.8	158.4	–	43328
Gilt Fund 88	429.9	450.4	–	43329
European Fund	106.2	114.0	–	43330
Pref & Fixed Int	99.7	106.1	–	46332
UK Blue Chip	103.4	109.0	–	47044
Recovery Fund	96.6	101.8	–	47054
Equity Income Dist	92.6	98.2	5.25	47816
Managed Dist	88.9	94.6	5.80	47817
High Yield Dist	95.0	100.2	7.90	44422
Pension Funds				
Balanced Gth Mgd Pens Acc	651.1	685.4	–	43331
Adventurous Mgd Pens Acc	134.9	142.1	–	46404
Cautious Mngd Pens Acc	127.2	133.9	–	46405
Building Soc. Acc	356.9	377.7	–	43332
Property Pens Acc	293.9	309.4	–	43333
Fix. Int. Pens. Acc	472.8	483.0	–	43334
Equity Pens. Acc	797.3	839.3	–	43335
International Pens Acc	261.4	275.2	–	43336
High Inc Pens. Acc	344.3	356.1	–	43337
Tech Pens Acc	225.0	236.9	–	43338
N American Pens Acc	247.9	261.0	–	43339
Far Eastern Pens Acc	372.5	392.9	–	43340
Special Sits Pens Acc	384.5	404.8	–	43341
Extra Income Pens Fd	336.9	354.7	–	43342
Convertible & Gilt Pen	162.3	170.9	–	43343
American Inc Pens	166.0	174.8	–	43344

Reliance Mutual

Reliance House, Tunbridge Wells, Kent 0892 510033

	Bid Price	Offer Price	Yield Gross	City-line
Deposit Acc Fd	165.2	173.9	–	43575
Equity Acc Fd	357.9	376.8	–	43576
Managed Acc Fd	314.2	330.7	–	43577
Prop Fd (1st issue)	–	570.1	–	43578
Prop Acc Fd (2nd iss)	117.7	123.9	–	43579
Unit Trust Mn. Fd	130.6	137.5	–	43580
RL Pension Funds				
Deposit Acc	238.5	251.1	–	43581
Equity Acc	257.7	271.3	–	43582
Fixed Int Acc	232.1	244.3	–	43583
Gilt Indx Lnk Acc	179.6	184.9	–	43584
Managed Acc	334.8	352.4	–	43585

J Rothschild Assurance PLC

J Rothschild House, Dollar Street, Cirencester

Telephone 0285 640302 Helpline 041 307 6500

	Bid Price	Offer Price	Yield Gross	City-line
Life Funds				
JRA/M&G Managed	100.7	106.0	–	46639
JRA/Scottish Amicable Mngd	97.20	102.4	–	46996
JRA/St James's Place Mngd	102.5	107.9	–	47133
Deposit	98.40	103.6	–	46281
Far East	98.70	103.9	–	46304
Gilts	99.20	104.5	–	46397
Greater European	105.8	111.4	–	46488
North American	104.3	109.8	–	46859
UK Equity	100.5	105.8	–	47134
Pension Funds				
JRA/M&G Managed cap	97.50	102.7	–	46800
JRA/M&G Managed acc	100.0	105.3	–	46714
JRA/Scot Amicable Mngd cap	94.00	99.00	–	47129
JRA/Scot Amicable Mngd acc	96.30	101.4	–	47128
JRA/St James's Pl Mngd cap	102.6	108.0	–	47131
JRA/St James's Pl Mngd acc	105.0	110.6	–	47130
Deposit cap	98.60	103.8	–	46285
Deposit acc	101.0	106.4	–	46284
Far East cap	93.60	98.60	–	46305
Far East acc	95.90	101.0	–	46358

Scottish Life Investments – Contd.

	Bid Price	Offer Price	Yield Gross	City-line
Worldwide	90.0	94.8	–	47167
With Profits Pens	79.1	83.4	–	46124
Pens Property	201.1	211.8	–	43910
Pens UK Equity	319.2	336.1	–	43911
Pens American	198.8	209.3	–	43912
Pens Pacific	243.5	256.4	–	43913
Pens European	420.9	443.2	–	43914
Pens International	252.9	266.4	–	43915
Pens Fixed Int	241.0	253.7	–	43916
Pens Index Linked	187.0	196.9	–	43917
Pens Deposit	235.4	247.9	–	43918
Pens Managed	252.9	266.3	–	43919
Pens Worldwide	91.9	96.9	–	47168

Scottish Mutual Assurance plc

109 St Vincent St, Glasgow 041-248 6321

	Bid Price	Offer Price	Yield Gross	City-line
Flex End Sep 15	1216.4	1254.1	–	43920
Pen Mngd Aug 31	879.2	906.4	–	43921
Safety Fund	194.6	204.9	–	43922
Growth Fund	178.5	187.9	–	43923
Opportunity Fund	177.4	186.8	–	43924
Worldwide Venture Fnd	141.5	149.0	–	43925
UK Equity Fund	191.4	201.5	–	43926
UK Smaller Cos Fund	149.9	157.8	–	43927
European Fund	270.4	284.7	–	43928
Far Eastern Fnd	204.9	215.7	–	43929
Japanese Fnd	93.10	98.00	–	43930
North American Fund	188.3	198.3	–	43931
International Fund	213.6	224.9	–	43932
Gilts & Fxd Int Fund	162.9	171.5	–	43933
Index-Linked Fund	154.1	162.3	–	43934
Property Fund	119.0	125.3	–	43935
Cash Fund	161.5	170.0	–	43936
Pens Safety Fnd	225.4	237.3	–	43937
Pens Growth Fnd	185.3	195.1	–	43938
Pens Opportunity Fnd	189.6	199.6	–	43939
Pens W'wide Venture Fnd	144.8	152.5	–	43940
Pens UK Equity Fnd	188.0	197.9	–	43941
Pens UK Smlr Co's Fnd	133.8	140.9	–	43942
Pens European Fnd	238.9	251.5	–	43943
Pens Far East Fnd	217.9	229.4	–	43944
Pens Japanese Fnd	89.70	94.50	–	43945
Pens Nth American Fnd	226.7	238.7	–	43946
Pens International Fnd	209.6	220.7	–	43947

Sun Alliance Group – Contd.

	Bid Price	Offer Price	Yield Gross	City-line
Property Growth Life Funds				
Investment	259.4		–	43381
Investment (A)	249.7		–	43382
Abbey National	365.5		–	43379
Abbey National (A)	389.1		–	43380
Actuarial	453.8		–	43387
Agricultural	732.9		–	43377
Agricultural (A)	704.2		–	43378
Building Society	208.9		–	43393
Equity	979.9		–	43383
Equity (A)	942.9		–	43384
Gilt Edged	325.9		–	43388
Gilt Edged (A)	325.9		–	43389
International	481.7		–	43392
Money	427.9		–	43385
Money (A)	411.0		–	43386
Property	452.0		–	43375
Property (A)	618.3		–	43376
Atlantic Investment			–	43395
Atlantic All Weather	575.6	605.9	–	43344
Property Growth Pension Funds				
Managed (Acc)	821.7		–	43399
Managed (Cap)	469.9		–	43400
Building Society (Acc)	743.3		–	43403
Building Society (Cap)	428.0		–	43404
Conv Bldng Soc (Acc)	811.5		–	43397
Conv Bldng Soc (Cap)	442.7		–	43398
Equity (Acc)	724.1		–	43407
Equity (Cap)	462.9		–	43408
Gilt Edged (Acc)	391.0		–	43405
Gilt Edged (Cap)	250.1		–	43406
International (Acc)	235.7		–	43409
International (Cap)	172.9		–	43410
Property (Acc)	550.3		–	43401
Property (Cap)	303.9		–	43402
Pension Fund Units	713.0		–	43396
Immediate Annuity	329.0		–	43391
Retirement Annuity	961.0		–	43390

Sun Life Unit Assurance Ltd

St James Barton, Bristol BS99 7SL 0272 426911

	Bid Price	Offer Price	Yield Gross	City-line
Managed Acc	660.2	695.0	–	44268
Property Acc	281.2	296.0	–	44269
Equity Acc	1086.8	1144.1	–	44270

Albany International Assurance Ltd

St Mary's, Castletown, Isle of Man 0624 823262

	Bid Price	Offer Price	Yield Gross	City-line
Global Sterling Fd	£1.132		–	44645
UK Sterling Fd	£0.963		–	44646
European Sterling Fd	£1.171		–	44647
Japan Sterling Fd	£0.576		–	44648
Nth American Sterling	£1.175		–	44649
Pacific Basin Stlg	£1.054		–	44650
UK Blue Chip Stlg	£1.389		–	44651
Gtd Money Sterling	£1.805		–	44653
Global Dollar Fd	$0.966		–	44654
UK Dollar Fd	$1.152		–	44655
European Dollar Fd	$1.210		–	44656
Japan Dollar Fd	$0.871		–	44657
Nth American Dollar Fd	$1.430		–	44658
Pacific Basin Dollar	$1.044		–	44659
Gtd Money Dollar	$1.428		–	44661
YRA Global Fd	£0.767		–	44663
Navigator Fd	£1.179		–	43362
Global Deutschemarks	DM0.994		–	43739
Global Gtd Deutschemarks	DM1.195		–	43634
Global Bond Stlg	£1.669		–	46282
Global Bond US Dlrs	$1.480		–	46310
Inv Mng Int Fixed Fund (PEP)	£1.045		–	41537

CMI Insurance Co Ltd

Clerical Medical Hse Douglas I O M 0624 625599

	Bid Price	Offer Price	Yield Gross	City-line
Sterling Funds				
Income Fd	£0.732	0.779	–	44800
Security Fd	£0.643	0.685	–	44801
Balanced Fd	£0.594	0.632	–	44802
Opportunity Fd	£0.592	0.630	–	44803
Benelux Equity	£0.524	0.564	–	44995
French Equity	£0.526	0.566	–	44967
German Equity	£0.466	0.502	–	44757
Iberian Equity	£0.319	0.344	–	45261
Italian Equity	£0.274	0.292	–	45500
Nordic Equity	£0.317	0.341	–	44850
Swiss Equity	£0.594	0.639	–	44660
UK Equity	£0.566	0.609	–	42959
Japan Tracker	£0.396	0.422	–	43367
UK Tracker	£0.501	0.533	–	43363
US Tracker	£0.722	0.769	–	43418
German Bond	£0.593	0.638	–	44652

Target International Group

1 rue Emile Bian, Luxembourg Tlx 2809 Tel 4050751

	Bid Price	Offer Price	Yield Gross	City-line
Sterling Pens Plan	£0.76	0.83	–	45907
US Dollar Pens Plan	$0.70	0.76	–	45908
Yen Pens Plan	Y143	154	–	45909
Ecu Pens Plan	Ecu0.59	0.65	–	45910
Sterling Man Fd	£0.93	0.99	–	45911
Sterling Fixed Int Fd	£1.92	2.02	–	45912
US Dollar Man Fd	$1.23	1.31	–	45913
US Dollar Fixed Int Fd	$1.66	1.75	–	45914
Ecu Bond Fd	Ecu0.95	1.00	–	45915
Davenport Chdwck £ Fd	£0.80	0.86	–	45916
Davenport Chad £ F I	£1.15	1.24	–	45918
Matheson £ Pens	£0.82	0.87	–	45921
Matheson $ Pens	$0.79	0.84	–	45922
Proinco $ Managed	$0.91	0.956	–	45925
Proinco £ Managed	£1.18	1.228	–	47957
Argent Stg Blncd		£11.45	–	46311
Argent Stg Eqty Gth		£11.61	–	46312
GFS James Capel Mgd Gr £		£1.11	–	46809
GFS James Capel Mgd Gr $		$1.09	–	46808
GFS Aggressive $		$1.00	–	46813
GFS Mngd Growth $		$1.26	–	46812
GFS DII Balanced Port		$1.18	–	46810
Mgd Composite No 1	$0.85	0.92	–	46814
Mgd Composite No 2	$1.06	1.14	–	46815
Zero Bd Mgd Comp	$1.00	1.08	–	46816
Zero Bnd Mgd Comp 2	$1.00	1.08	–	45192
Japan Mngd Comp	Y889	948	–	47654
Japan Mngd Comp 2	Y727	778	–	47503
German Mngd Composite DM	DM8.52	9.13	–	45346
CH 10	SFr1.21	1.31	–	47415
LX 10	$1.24	1.34	–	47416

MANAGEMENT SERVICES

Bain Clarkson Asset Management

2 The Windmills, Turk St, Alton, GU34 1EF 0420 80266

	Bid Price	Offer Price	Yield Gross	City-line
BC Pooled Dsc Balanced	91.9	96.7	–	47759
BC Pooled Dsc Adventurous	97.0	102.1	–	
BC Spectrum Safety	106.7	112.3	–	46750
BC Spectrum Balanced	96.6	101.6	–	46749

Adams & Nevile Fd Mngmt (Guernsey) Ltd

PO Box 255 St Peter Port Guernsey CI 0481 710651

Baring Intl Fd Managers (Guernsey) Ltd

PO Box 255, St Peter Port Guernsey 0481 710651

Equitable International Fund Managers Ltd

PO Box 255 St Peter Port Guernsey CI 0481 710651

Guinness Flight Fd Mngrs (Guernsey) Ltd

PO Box 250 St Peter Port Guernsey 0481 712176

Lazard Fund Managers (CI) Ltd

Merrill Lynch Guernsey

	Bid Price	Offer Price	Yield Gross	City-line
Bangkok NAV Sep 30	$86.94		–	42709
Iberia Portfolio NAV	$7.27		–	46590

Nikko Capital Mngt (Europe) Ltd

	Bid Price	Offer Price	Yield Gross	City-line
New Generation Fd	$17.01	17.20	–	45560
Japan Index Fund	Y2033	2054	–	45559
Japan Index Alpha	Y5991	6074	–	46350
Jpn Sector Rotation Fd	Y8242	3350	–	47334
Jpn Cap Gwth CB Fd	Y10898	10899	–	45822
Jpn Retn Reversal Fd	Y8766	8849	–	47753

Quilter International Management Ltd

	Bid Price	Offer Price	Yield Gross	City-line
Quadrt Intl Bond	$1.08	1.13	–	45655
Quadrt Intl Euro	$2.85	2.99	–	45656
Quadrt Intl F East	$2.75	2.89	–	45657
Quadrt Intl N Amer	$2.38	2.50	–	45658

Rothschild Asset Mngmt (CI) Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

• Unit Trust prices are available from FT Cityline, call 0891 43 + the five-digit code listed after the unit trusts. Calls charged at 36p/minute cheap rate and 48p/minute at all other times.

	Bid Price	Offer Price	Yield Gross	City-line
Gartmore Fund Managers (IoM)				
Intl Inc *	15 6	16 6	12 0	45094
* Projected Yield				
John Govett Management (IoM) Ltd				
Dllr Geared Curr NAV Oct 2	$16 20		-	45839
Paragon Plus Red Oct 1	£9 17		-	46732
Paragon Stlg Red Oct 1	£10 60		-	46733
SE Asian Wts NAV Oct 1	$9 77		-	46013
Govett Mngd Ftre Oct 2	£13 77	15 06	-	44516
Govett Mngd Ftrs Oct 2	$9 91	10 84	-	47538
New Horizon Inv Oct 1	$12 50		-	46843
	$5.40		-	-
Dllr Geared Bd Oct 2	$8 01		-	46440
IBI Global Funds Limited				
Intl Stlg Grth	£18.31	19.28	-	45289
Intl $US Grth	$18 07	19 03	-	45290
High Income Gilts	£24 79	25.70	-	45291
International Equity	£18 16	19 13	-	45292
International Bond	£21 08	21 85	-	45293
Managed Currency	£26 04	26 31	-	45294
Sterling Currency	£26 08	26 35	-	46030
US$ Currency	$37 63	38 02	-	46031
Irish £ Currency	I£14.76	14 92	-	46029
Target International (Isle of Man) Ltd				
IMC Offshore Fd	£8 07	8.69	-	46490
B F Offshore Inc Fd Ltd	£10 71	11 20	-	46580
	£8 83	9 18	-	46581
LFM Sterling Fd	£10 55	11 00	-	44495

JERSEY (SIB RECOGNISED)

	Bid Price	Offer Price	Yield Gross	City-line
INVESCO MIM International Limited				
All Funds deal daily except where indicated				
Sterling Denominated Income Funds				
American Equity Inc	£1.538	1.661	2.78	
Japan Inc & Grth	£1.306	1 401	2.60	
Sterling Denominated Growth Funds				
Capital Deposit	£37.35	37.36	-	
European Perform.			-	
Far East	£2.154	2.316	-	
Pioneer Markets	£3 082	3.314	-	
UK Growth	£1.126	1 211	2.30	
£ Mng Portfolio	£1.424	1 539	-	
US Dollar Denominated Growth Funds				
Gold & Prec Mtls	$0 666	0 716	-	
Japan Performance	$2.080	2.237	-	
	$9.10		-	
Apollo Fd Sep 23	SFr77 0	82.43	-	
Weekly Dealing. Fortnightly Dlng. Monthly Dlng.				
Lloyds Bank Trust Co (CI) Mngrs				
	£2.263	2.377	1.34	
Dealing weekly on Thursday				
Management International (Jersey) Ltd				
Anchor Gilt Edge	£9.41	9.46	9 94	
Minerals, Oils Res. Shrs. Fd. Inc.				
	$14 30	14 59	2 74	
Nat. Westminster Jersey Fd. Mgrs. Ltd				
Sterling Income	50.8	53 0	8.84	
UK Equity Fd	199.2	212.0	3 02	
Intl Bond Fd	93.1	96.0	7.57	
Natural Resources Fd	110 4	118.0	0 42	
Sterling Mngd Asset Fd	502.2	529 0	5 00	
Sub day every Thurs. Sub day monthly 5th and 20th				
NatWest TrustGer Currency Fund				
Dollar Class	$37 9036		-	
Sterling Class	£26.5363		-	
D-Mark Class	DM82.2398		-	

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

JERSEY (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES AND MONEY MARKETS

Focus on the Fed

FOREIGN exchange dealers will keep a close eye on tomorrow's Federal Open Market Committee, in the belief that there could be a cut in the US discount rate, *writes James Blitz.*

UK clearing bank base lending rate 9 per cent from September 22, 1992

Last Friday's non-farm payroll figure for September came in slightly better than expected, with a monthly drop of 57,000. However, the underlying gloom about the US economy remains, and, in the view of Mr Gerard Lyons, Chief Economist at DKB International in London, there is a "better than even" chance of the Fed easing the discount rate below 3 per cent.

Late on Friday, US dealers seemed to be coming to this view as the dollar traded at around DM1.4075 against the D-Mark, after peaking at DM1.4360 shortly after the payroll report was released.

The Bundesbank made clear last week that another cut in German short term rates was unlikely to materialise for several months, and a Fed cut would widen the differential between US and German short term rates, which is currently at 6.5 per cent.

Otherwise, the market's focus is likely to be on sterling. The currency enters its third full week of free floating today and the experience thus far has been miserable. Last week, the currency fell 12.5 pfennigs against the D-Mark in the absence of a clear statement of economic policy from the UK government. In Mr Lyons' view, sterling is "sick."

Dealers will be looking for some policy lead at the Conservative party conference in Brighton this week, but they are unlikely to get it. If there is no clear statement from the chancellor when he addresses conference on Wednesday or the Treasury Select Committee next Monday, the market will have to wait until the Mansion house speech on October 29.

£ IN NEW YORK

Oct 2	Close	Previous Close
£ Spot	1.7275-1.7295	1.7400-1.7410
1 month	0.92-0.90pm	0.91-0.90pm
3 months	2.52-2.49pm	2.52-2.50pm
12 months	8.15-8.05pm	8.35-8.25pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Oct.2	Previous
8.30 am	82.5	82.5
9.00 am	82.3	82.6
10.00 am	82.4	82.7
11.00 am	82.2	82.8
Noon	82.2	82.8
1.00 pm	82.1	82.6
2.00 pm	81.6	82.4
3.00 pm	81.2	82.4
4.00 pm	81.1	82.7

CURRENCY MOVEMENTS

Oct 2	Bank of England Index	Morgan** Guaranty Changes %
Sterling	81.1	-28.4
U.S Dollar	60.4	-17.9
Canadian Dollar	93.4	-6.8
Austrian Schilling	114.7	+15.6
Belgian Franc	116.8	+1.7
Danish Krone	115.7	+8.3
D-Mark	126.8	+31.6
Swiss Franc	117.1	+25.0
Dutch Guilder	120.6	+20.8
French Franc	111.3	-6.7
Lira	88.1	-29.2
Yen	146.4	+84.6
Peseta	101.8	-22.6

Morgan Guaranty changes. average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Oct.1

OTHER CURRENCIES

Oct 2	£	$
Argentina	1.6915 - 1.6940	0.9900 - 0.9910
Australia	2.3875 - 2.3895	1.3935 - 1.3945
Brazil	11042.4 - 11049.2	6467.00 - 6467.20
Finland	7.8215 - 7.8410	4.5200 - 4.5400
Greece	315.000 - 321.300	180.600 - 184.250
Hong Kong	13.1925 - 13.2225	7.7245 - 7.7255
Iran	2716.00°	1435.00°
Korea(Sth)	1357.20 - 1379.05	781.60 - 787.80
Kuwait	0.49785 - 0.49945	0.29175 - 0.29225
Luxembourg	50.30 - 50.40	29.15 - 29.25
Malaysia	4.2610 - 4.2770	2.4955 - 2.4965
Mexico	5124.00 - 5135.55	3112.50 - 3113.50
N.Zealand	3.1385 - 3.1425	1.8380 - 1.8405
Saudi Ar.	6.4010 - 6.4335	3.7495 - 3.7505
Singapore	2.7165 - 2.7265	1.5910 - 1.5920
S.Af (Cm)	4.8350 - 4.8605	2.8295 - 2.8325
S.Af (Fn)	7.4240 - 7.5055	4.3480 - 4.3955
Taiwan	42.95 - 43.10	25.15 - 25.25
U.A.E.	6.2675 - 6.3000	3.6715 - 3.6735

°Floating rate. Iran Official rate £119.55 $63.30

CURRENCY RATES

Oct 2	Bank § rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.835153	0.798896
U.S Dollar	3.00	1.46845	1.37166
Canadian $	5.34	1.82602	1.71869
Austrian Sch	8.25	14.6125	13.8332
Belgian Franc	8.00	42.6952	40.5429
Danish Krone	9.50	8.02508	7.62095
D-Mark	8.25	2.07815	1.96628
Dutch Guilder	8.00	2.34321	2.21468
French Franc	10¼	7.03167	6.64776
Italian Lira	15.00	N/A	1727.36
Japanese Yen	3.25	176.655	164.805
Norway Krone	-	8.42597	8.00159
Spanish Peseta	-	146.258	138.660
Swedish Krona	50.0	7.78646	7.41109
Swiss Franc	6.00	1.81280	1.72624
Greek Drach	19	N/A	253.606
Irish Punt	-	N/A	0.750280

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Oct.1

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Close	High	Low	Prev.
Dec	105-27	106-06	105-05	106-08
Mar	104-17	105-00	103-28	104-30
Jun	103-06	103-14	102-19	103-18
Sep	101-28	101-28	101-20	102-08
Dec	100-21	100-21	100-07	101-00
Mar	99-17	99-17	99-15	99-27
Jun	98-16	-	-	98-25

JAPANESE YEN (IMM) Y12.5m $ per Y100

	Close	High	Low	Prev.
Dec	0.8364	0.8376	0.8290	0.8326
Mar	0.8365	0.8365	0.8285	0.8316
Jun	0.8356	0.8325	-	0.8306

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1)

Strike Price	Calls Oct	Calls Nov	Calls Dec	Calls Mar	Puts Oct	Puts Nov	Puts Dec	Puts Mar
1.650	7.59	-	8.47	8.81	0.50	-	2.56	4.51
1.675	5.54	-	6.81	7.28	0.97	-	3.42	5.64
1.700	3.74	-	5.37	5.92	1.71	-	4.53	6.95
1.725	2.36	-	4.15	4.77	2.76	-	5.87	8.37
1.750	1.41	2.67	3.20	3.81	4.34	6.50	7.44	10.00
1.775	0.82	1.93	2.39	3.00	-	7.97	9.11	11.75
1.800	0.34	1.35	1.75	2.38	8.261	9.88	10.99	13.61

Previous day's open int: Calls N/A Puts N/A (All currencies)
Previous day's volume: Calls 9,645 Puts 77,471 (All currencies)

POUND SPOT - FORWARD AGAINST THE POUND

Oct 2	Day's spread	Close	One month	% p.a	Three months	% p.a
US	1.7040 - 1.7515	1.7255 - 1.7265	0.92-0.90cpm	6.33	2.56-2.52pm	5.87
Canada	2.1410 - 2.1865	2.1685 - 2.1695	0.34-0.04cpm	1.05	0.82-0.43pm	1.15
Netherlands	2.7325 - 2.7885	2.7325 - 2.7425	par-⅛cdis	-0.27	par-¼dis	-0.09
Belgium	50.00 - 51.00	50.30 - 50.40	3-4cdis	-0.83	3-7dis	-0.40
Denmark	9.4620 - 9.5810	9.4675 - 9.4775	1⅞-6⅛oredis	-5.23	9¼-13⅝dis	-4.80
Ireland	0.9300 - 0.9345	0.9300 - 0.9310	0.85-0.45ppm	8.38	2.15-1.50pm	7.85
Germany	2.4275 - 2.4735	2.4275 - 2.4325	par-⅛pfdis	-0.31	par-⅛dis	-0.10
Portugal	214.60 - 220.70	217.25 - 218.25	N/A	N/A	N/A	N/A
Spain	171.50 - 175.40	173.15 - 173.45	100-179cdis	-9.66	262-401dis	-7.65
Italy	2133.00 - 2177.00	2151.75 - 2152.75	11-17lirdis	-7.81	34-42dis	-7.06
Norway	9.9480 - 10.0690	9.9500 - 9.9600	5⅞-10⅛dis	-4.87	11-17¼dis	-5.68
France	8.2225 - 8.3630	8.2225 - 8.2325	2¼-4cdis	-4.47	6¼-8¼dis	-3.49
Sweden	9.2060 - 9.3010	9.2250 - 9.2350	5⅞-11¼dis	-11.13	12⅝-19¼dis	-7.02
Japan	205.05 - 208.85	205.50 - 206.50	1-⅞ypm	5.46	2⅝-2⅛pm	4.98
Austria	17.06 - 17.40	17.18 - 17.21	⅝-⅛gropm	0.35	1¼-⅝pm	0.23
Switzerland	2.1330 - 2.1620	2.1450 - 2.1550	½-⅛cpm	2.44	1⅛-1⅛pm	2.21
Ecu	1.2420 - 1.2730	1.2540 - 1.2550	0.32-0.44cdis	-3.63	0.98-1.12dis	-3.35

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.64-4.59pm. 12 Month 8.45-8.35pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Oct 2	Day's spread	Close	One month	% p.a	Three months	% p.a
UK†	1.7040 - 1.7515	1.7255 - 1.7265	0.92-0.90cpm	6.33	2.55-2.52pm	5.87
Ireland†	1.8470 - 1.8530	1.8520 - 1.8530	2.30-1.80cpm	13.28	5.60-4.80pm	11.23
Canada	1.2480 - 1.2580	1.2535 - 1.2545	0.48-0.63cdis	-5.31	1.40-1.60dis	-4.78
Netherlands	1.5855 - 1.6170	1.5855 - 1.5865	0.82-0.86cdis	-6.36	2.35-2.43dis	-6.03
Belgium	29.10 - 29.55	29.15 - 29.25	15.00-16.00cdis	-6.37	44.00-47.00dis	-6.23
Denmark	5.4740 - 5.5670	5.4850 - 5.4900	4.00-7.00oredis	-12.03	12.00-19.00dis	-11.30
Germany	1.4075 - 1.4360	1.4080 - 1.4090	0.74-0.76pfdis	-6.39	2.13-2.15dis	-6.08
Portugal	125.90 - 126.40	126.30 - 126.40	300-400cdis	-33.24	650-800dis	-22.95
Spain	99.20 - 101.50	100.25 - 100.35	90-160cdis	-14.96	270-420dis	-13.76
Italy	1237.00 - 1261.25	1246.75 - 1247.25	11.30-11.70lirdis	-11.07	39.00-45.00dis	-13.47
Norway	5.7350 - 5.8400	5.7650 - 5.7700	6.00-10.00oredis	-16.64	13.00-20.00dis	-11.44
France	4.7650 - 4.8550	4.7650 - 4.7700	3.90-4.40cdis	-10.45	10.90-11.40dis	-9.36
Sweden	5.3095 - 5.4140	5.3450 - 5.3500	4.00-10.00dis	-15.71	14.00-21.00dis	-13.09
Japan	119.25 - 120.30	119.25 - 119.35	0.11-0.12ydis	-1.16	0.25-0.26dis	-0.85
Austria	9.9450 - 9.9800	9.9625 - 9.9675	4.95-5.25grodis	-6.14	14.55-15.65dis	-6.06
Switzerland	1.2320 - 1.2605	1.2445 - 1.2455	0.38-0.41cdis	-3.81	1.13-1.18dis	-3.71
Ecu	1.3610 - 1.3835	1.3780 - 1.3790	1.25-1.10cpm	10.23	3.25-3.05pm	9.14

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency

EXCHANGE CROSS RATES

Oct.2	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr	Pta	Ecu
£	1	1.726	2.430	206.0	8.228	2.150	2.738	2152.	2.169	50.35	173.3	1.255
$	0.579	1	1.408	119.4	4.767	1.246	1.586	1247	1.257	29.17	100.4	0.727
DM	0.412	0.710	1	84.77	3.386	0.885	1.127	885.6	0.893	20.72	71.32	0.516
YEN	4.854	8.379	11.80	1000	39.94	10.44	13.29	10447	10.53	244.4	841.3	6.092
F Fr.	1.215	2.098	2.953	250.4	10.	2.613	3.328	2615	2.636	61.19	210.6	1.525
S Fr.	0.465	0.803	1.130	95.81	3.827	1	1.273	1001	1.009	23.42	80.60	0.584
N Fl.	0.365	0.630	0.888	75.24	3.005	0.785	1	786.0	0.792	18.39	63.29	0.458
Lira	0.465	0.802	1.129	95.72	3.823	0.999	1.272	1000.	1.008	23.40	80.53	0.583
C$	0.461	0.796	1.120	94.97	3.793	0.991	1.262	992.2	1	23.21	79.90	0.579
B Fr.	1.986	3.428	4.826	409.1	16.34	4.270	5.438	4274	4.308	100.	344.2	2.493
Pta	0.577	0.996	1.402	118.9	4.748	1.241	1.580	1242	1.252	29.05	100.	0.724
Ecu	0.797	1.375	1.936	164.1	6.556	1.713	2.182	1715	1.728	40.12	138.1	1.

Yen per 1,000: French Fr per 10: Lira per 1,000. Belgian Fr per 100 Peseta per 100. *Corrected figure for 1 10.92 Canadian Dollar-Sterling 2.175

EURO-CURRENCY INTEREST RATES

Oct 2	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	9½ - 9⅛	9¼ - 9⅛	9 3/16 - 9 1/16	9⅛ - 9	8 13/16 - 8 11/16	8 9/16 - 8 7/16
US Dollar	3⅛ - 3	3⅛ - 3	3⅛ - 3	3 5/16 - 3 3/16	3 7/16 - 3 5/16	3 13/16 - 3 11/16
Can. Dollar	N/A	8½ - 8	8⅛ - 7 15/16	7¾ - 7⅝	7⅛ - 7	7¼ - 6 15/16
Dutch Guilder	8¼ - 8	9⅛ - 8¾	9¼ - 8¾	9 1/16 - 8 15/16	9 1/16 - 8 15/16	8¾ - 8⅝
Swiss Franc	6½ - 6¼	6½ - 6¼	6 13/16 - 6 9/16	6 11/16 - 6 9/16	6 11/16 - 6 9/16	6 13/16 - 6⅝
D-Mark	9¼ - 9	9¼ - 9	9 - 8⅞	8 15/16 - 8 13/16	8¾ - 8⅝	8½ - 8⅜
French Franc	13½ - 13	13½ - 13	13½ - 13	12½ - 12	11 - 10½	10¼ - 9¾
Italian Lira	21 - 16	16½ - 14½	17 - 16	16½ - 15¾	16¼ - 15½	15¼ - 14¾
Belgian Franc	9¼ - 9⅛	9¼ - 9⅛	9¼ - 9⅛	9¼ - 9⅛	8⅞ - 8¾	8¾ - 8⅝
Yen	4¼ - 4 3/16	4 3/16 - 4⅛	4 3/16 - 4⅛	3 15/16 - 3 13/16	3 13/16 - 3¾	3 13/16 - 3 11/16
Danish Krone	11 - 10½	11½ - 11¼	11½ - 11¼	11¼ - 10¾	10¾ - 10½	10½ - 10¼
Asian $Sing	¼ - ⅛	¾ - ¼	1 7/16 - 1 5/16	1 15/16 - 1¾	2 - 1⅞	2⅜ - 2¼
Spanish Peseta	17 - 12	15 - 13	14½ - 14¼	14 - 12¾	13¾ - 12¾	14 - 13

Long term Eurodollars: two years 4-3⅞ per cent; three years 4⅝-4½ per cent; four years 5 3/16-5 1/16 per cent; five years 5⅝-5½ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct.2) 3 months US dollars		6 months US Dollars	
bid 3	offer 3⅛	bid 3	offer 3⅛

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

4pm

Prime rate	6
Broker loan rate	5
Fed.funds	3⅛
Fed.funds at intervention	-

Treasury Bills and Bonds

One month	2.74	Three year	4.14
Two month	2.67	Five year	5.21
Three month	2.67	Seven year	5.79
Six month	2.87	10-year	6.24
One year	2.97	30-year	7.33
Two year	3.69		

Oct.2	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.85-9.05	8.95-9.05	8.95-9.05	8.95-9.05	8.80-8.95	9.50
Paris	13½-14	13½-15	-	12½-13½	-	9.60
Zurich	6¼-6¾	6½-6¾	-	6 9/16-6 11/16	-	-
Amsterdam	8.90-9.05	8.95-9.05	-	8.95-9.05	-	-
Tokyo	4 3/16-4 5/16	4 3/16-4 5/16	-	-	-	-
Milan	17¼-17¾	16 11/16-16 13/16	-	16½-16 11/16	-	-
Brussels	-	9 3/16-9 5/16	-	9 1/16-9 3/16	-	-
Dublin	11-15	12-15	12-14	12-14	11¼-12¼	-

LONDON MONEY RATES

Oct 2	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	10½	9½	9⅛	9⅛	8⅞	8⅝
Interbank Bid	9	9¼	9⅛	8⅞	8⅝	8⅜
Sterling CDs	-	-	9 1/16	8 15/16	8⅝	8⅜
Local Authority Deps.	9⅛	9⅛	9 3/16	9⅛	8¾	8½
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	9½	9⅜	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	9 3/16	9⅛	8¾	8½
Treasury Bills (Buy)	-	-	8 13/16	8⅝	8 7/16	-
Bank Bills (Buy)	-	-	8⅞	8¾	8 9/16	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs.	-	-	2.86	2.86	2.86	3.00
SDR Linked Dep. Offer	-	-	6 1/16	6	6	6
SDR Linked Dep. Bid	-	-	5 15/16	5⅞	5⅞	5⅞
ECU Linked Dep. Offer	-	-	11⅝	11⅛	11⅛	10⅝
ECU Linked Dep. Bid	-	-	11⅛	10⅞	10⅞	10 5/16

Treasury Bills (sell); one-month 8 13/16 per cent; three months 8¼ per cent; six months 8 5/16 per cent; Bank Bills (sell): one-month 8 13/16 per cent; three months 8 11/16 per cent; Treasury Bills; Average tender rate of discount 8.1102. ECGD Fixed Rate Sterling Export Finance. Make up day September 30, 1992. Agreed rates for period Oct. 26, 1992 to November 24, 1992, Scheme I: 11.18 p.c., Schemes II & III: 11.18 p.c. Reference rate for period August 29, 1992 to September 30, 1992, Scheme IV&V: 10.112 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10½ from October 1, 1992; Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 6½ per cent; one-three months 9 per cent; three-six months 9 per cent; six-nine months 8½ per cent; nine-twelve months 8½ per cent; Under £100,000 7 per cent from May 6, 1992, Deposits withdrawn for cash 5 per cent.

BANK OF ENGLAND TREASURY BILL TENDER

Minimum accepted bid	£97.975	£97.950	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	100%	100%	Minimum accepted bid 182 days	£95.945	£95.950

WEEKLY CHANGE IN WORLD INTEREST RATES

	Oct.2	change
LONDON		
Base rates	9	
7 day Interbank	9½	+⅛
3-month Interbank	9⅛	-1/16
Treasury Bill Tender	8.1102%	-0.1159
Band 1 Bills	8⅞	Unch'd
Band 2 Bills	8⅞	Unch'd
Band 3 Bills	9⅛	Unch'd
Band 4 Bills	9 3/16	Unch'd
3 Mth. Treasury Bill	8⅛	+1/16
1 Mth. Bank Bills	8⅞	-1/16
3 Mth. Bank Bills	8⅞	+1/16
TOKYO		
One month	4⅛	-⅜
Three month	-	-
BRUSSELS		
One month	9¼	+⅛
Three month	9¼	+⅛
AMSTERDAM		
One month	9.000	+0.175
Three month	9.000	+0.225

	Oct.2	change
NEW YORK		
Prime rates	6	Unch'd
Federal Funds	3 1/16	-1/16
3 Mth. Treasury Bills	2.69	-0.20
6 Mth. Treasury Bills	2.88	-0.06
3 Mth. CD	2.86	-0.14
FRANKFURT		
Lombard	9.50	Unch'd
One mth. Interbank	9.00	+0.10
Three month	9.10	+0.10
PARIS		
Intervention Rate	9.60	Unch'd
One mth. Interbank	14¼	+1¼
Three month	13	+2
MILAN		
One month	16¾	
Three month	16 13/16	
DUBLIN		
One month	13½	+3
Three month	13	+2 1/16

Wimbledon & South West Finance PLC
114 Newgate St, London EC1 7AE 071-606 9485
High Int Cheque Acc 7.50 5.63 7.71 -

NOTES– Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate' Int Crd: Frequency at which interest is credited to the account.

FINANCIAL TIMES STOCK INDICES

	Oct 2	Oct 1	Sept 30	Sept 29	Sept 28	Sept 25	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs.	88.85	89.21	89.35	89.58	89.65	89.70	90.11	85.11	127.4	49.18
Fixed Interest	103.76	103.98	104.35	104.27	104.26	104.50	106.46	97.15	106.35	50.53
Ordinary	1852.5	1875.1	1860.6	1876.6	1873.1	1914.0	2149.7	1670.0	2149.7	49.4
Gold Mines	73.1	73.0	74.2	74.8	77.1	78.8	160.6	65.0	734.7	43.5
FT Act All-Share	1205.07	1213.65	1206.16	1210.80	1210.82	1228.23	1326.36	987.46	1326.36	61.92
FT-SE 100	2549.7	2572.3	2553.0	2565.5	2560.0	2601.0	2737.8	2281.0	2737.8	986.9
FT-SE Eurotrack 100	993.56	1006.01	1003.44	1009.98	1016.40	1035.63	1199.58	993.01	1199.58	900.45
FT-SE Eurotrack 200	1062.72	1077.67	1079.39	1080.97	1082.26	1114.64	1248.79	1029.58	1248.79	938.62

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

	Notes Price £	Wk % change	Amnt £m	Interest due		Last xd	City line
Treas 8¼pc 1993	99 13/16	-.1	988	Au18	Fe18	13.7	5047
10pc 1993‡‡	100 11/16xd	-.1	1,858	Oc15	Ap15	8.9	1279
12½pc 1993‡‡	103 3/16	-.1	1,108	Ja14	Jy14	8.6	1296
Funding 6pc 1993‡‡	98 27/32	0.2	690	Mr15	Se15	16.8	1276
Treas 13¾pc 1993‡‡	106 1/16	—	1,865	My23	Nv23	16.4	1304
8½pc 1994	100 13/32	0.1	2,100	Au3	Fe3	29.6	4971

BASE LENDING RATES

	%
Adam & Company	9
Allied Trust Bank	10
AIB Bank	9
● Henry Ansbacher	9
B & C Merchant Bank	13
Bank of Baroda	9
Banco Bilbao Vizcaya	9
Bank of Cyprus	9
Bank of Ireland	9
Bank of India	9
Bank of Scotland	9
Banque Belge Ltd	9
Barclays Bank	9
Brit. Bk of Mid East	9
● Brown Shipley	9
CL Bank Nederland	9
Citibank NA	9
City Merchants Bank	9
Clydesdale Bank	9
Co-operative Bank	9
Coutts & Co	9
Credit Lyonnais	9
Cyprus Popular Bk	9
Duncan Lawrie	9
Equatorial Bank plc	9
Exeter Bank Limited	9.5
Financial & Gen. Bank	9
● Robert Fleming & Co.	9
Robert Fraser & Ptnrs.	9.5
Girobank	9
● Guinness Mahon	9
Habib Bank AG Zurich	9
● Hambros Bank	9
Hampshire Trust Plc	13.5
Heritable & Gen Inv Bnk.	9
● Hill Samuel	9
C. Hoare & Co.	9
Hongkong & Shanghai	9
Julian Hodge Bank	9
● Leopold Joseph & Sons	9
Lloyds Bank	9
Meghraj Bank Ltd	9
McDonnell Douglas Bnk	9
Midland Bank	9
Mount Banking	9
NatWestminster	9
Northern Bank Ltd	9
Nykredit Mortgage Bank	9.5
Provincial Bank PLC	14
● Rea Brothers	9
Roxburghe Bank Ltd.	10
Royal Bk of Scotland	9
● Smith & Williamson Secs.	9
Standard Chartered	9
TSB	9
Unibank plc	9
● United Bk of Kuwait	9
Unity Trust Bank Plc	9
Western Trust	9
Whiteaway Laidlaw	9
Yorkshire Bank	9

● Members of British Merchant Banking & Securities Houses Association.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY OCTOBER 2 1992 US Dollar Index	% chg ($) since 31/12/91	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/91	Gross Div. Yield	THURSDAY OCTOBER 1 1992 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1992 High	1992 Low	Year ago (approx)
Australia (68)	124.62	−17.4	107.05	93.98	91.26	115.55	−12.5	4.22	123.18	105.17	93.44	91.29	114.70	163.68	123.18	152.90
Austria (19)	162.53	−2.4	139.61	122.57	119.02	119.59	−8.9	2.44	161.23	137.66	122.31	119.49	119.15	186.70	139.27	179.72
Belgium (42)	147.66	+2.3	126.84	111.34	108.13	106.33	−4.4	5.79	147.72	126.12	112.04	109.48	106.92	152.27	135.87	129.50
Canada (114)	114.12	−16.3	98.02	86.05	83.56	103.62	−9.2	3.42	116.48	99.45	88.35	86.32	104.92	142.12	114.12	134.95
Denmark (33)	212.74	−20.4	182.74	160.43	155.78	158.78	−26.0	1.80	209.55	178.91	158.95	155.30	156.97	273.94	196.78	253.76
Finland (15)	58.29	−24.0	50.93	44.72	43.42	56.37	−16.7	2.50	58.96	50.34	44.72	43.69	55.80	89.80	52.84	86.07
France (101)	157.19	+4.5	135.03	118.53	115.10	117.56	−3.9	3.84	158.79	135.57	120.44	117.67	120.00	168.75	148.06	141.75
Germany (64)	115.03	−2.0	98.81	86.76	84.23	84.23	−9.0	2.72	114.00	97.33	86.49	84.49	84.49	129.69	111.48	108.83
Hong Kong (53)	230.82	+30.9	198.28	174.08	169.03	228.92	+30.0	3.84	228.80	195.35	173.55	169.58	226.86	259.55	176.36	168.52
Ireland (16)	145.50	−13.3	124.98	109.72	106.54	110.67	−18.2	4.90	145.61	124.32	110.46	107.92	110.82	173.71	145.50	158.90
Italy (77)	51.36	−31.9	44.12	38.73	37.61	47.89	−26.0	4.36	51.00	43.54	38.68	37.80	47.50	80.86	49.25	72.08
Japan (472)	108.96	−19.8	93.59	82.17	79.80	82.17	−23.4	1.04	108.54	92.67	82.33	80.45	82.33	140.95	87.27	143.12
Malaysia (69)	247.15	+15.4	212.29	186.37	180.98	237.58	+5.9	2.75	248.31	212.01	188.35	184.02	238.68	260.65	212.49	193.76
Mexico (18)	1271.69	−8.6	1092.35	959.00	931.23	4328.31	−6.4	1.39	1251.63	1068.61	949.41	927.60	4255.23	1789.77	1185.84	1194.46
Netherland (25)	169.70	+11.2	145.77	127.96	124.27	122.84	+3.2	4.61	168.39	143.77	127.73	124.80	123.39	169.70	147.68	139.35
New Zealand (14)	41.09	−12.5	35.29	30.99	30.09	40.13	−13.1	5.64	40.23	34.35	30.52	29.82	39.49	48.52	40.23	46.39
Norway (22)	148.66	−16.9	127.70	112.11	108.86	116.38	−19.6	2.08	149.32	127.48	113.26	110.66	117.19	192.95	136.40	195.84
Singapore (38)	188.21	−14.3	161.67	141.93	137.82	138.04	−15.8	2.38	188.57	161.00	143.04	139.75	138.39	229.63	180.71	169.79
South Africa (60)	162.74	−34.6	139.79	122.72	119.17	155.51	−10.1	3.27	166.69	142.32	126.44	123.53	156.54	263.60	162.74	250.58
Spain (46)	113.59	−27.4	97.57	85.66	83.18	86.31	−24.7	6.90	113.55	96.95	86.13	84.15	88.07	161.72	113.55	151.77
Sweden (30)	160.00	−11.7	137.43	120.66	117.17	126.66	−14.8	3.25	163.74	139.80	124.21	121.35	129.87	200.28	156.39	188.77
Switzerland (60)	120.53	+20.1	103.53	90.90	88.27	93.03	+10.3	2.30	121.56	103.78	92.21	90.09	93.82	122.37	95.99	94.19
United Kingdom (228)	174.24	−6.0	149.66	131.38	127.58	149.66	+1.9	4.90	176.76	150.91	134.06	130.99	150.91	200.07	165.85	182.66
USA (522)	167.48	−1.4	143.86	126.30	122.65	167.48	−1.4	3.03	169.76	144.94	128.77	125.82	169.76	173.39	160.92	154.94
Europe (780)	141.77	−4.0	121.77	106.91	103.82	112.78	−4.0	4.17	142.66	121.80	108.21	105.73	113.67	156.88	138.62	141.92
Nordic (100)	151.73	−17.4	130.33	114.42	111.11	113.52	−21.1	2.64	152.97	130.60	116.03	113.37	114.73	188.52	147.25	184.11
Pacific Basin (714)	113.20	−17.5	97.24	85.37	82.89	87.37	−20.5	1.38	112.71	96.23	85.50	83.53	87.45	141.97	93.70	143.31
Euro – Pacific (1494)	124.76	−11.9	107.16	94.07	91.35	97.71	−14.0	2.68	124.83	106.57	94.68	92.51	98.12	145.21	113.80	143.10
North America (636)	164.16	−2.1	141.01	123.81	120.23	163.14	−1.8	3.05	166.44	142.11	126.27	123.38	165.35	170.49	158.70	153.64
Europe Ex. UK (552)	121.90	−2.6	104.71	91.95	89.28	92.54	−6.0	3.66	121.96	104.13	92.53	90.41	93.25	132.88	119.63	117.86
Pacific Ex. Japan (242)	154.79	+3.2	132.96	116.75	113.36	139.78	+3.9	3.77	153.64	131.17	116.56	113.87	138.96	175.31	149.00	145.03
World Ex. US (1686)	125.46	−12.5	107.77	94.62	91.87	99.60	−13.7	2.68	125.63	107.26	95.30	93.11	100.03	148.91	116.18	144.59
World Ex. UK (1980)	135.31	−8.6	116.22	102.04	99.09	117.52	−10.1	2.58	136.03	116.14	103.19	100.83	118.47	150.58	127.21	149.59
World Ex. So. Af. (2148)	138.61	−8.0	119.07	104.54	101.51	120.08	−9.0	2.82	139.47	119.08	105.80	103.37	121.06	153.05	130.04	146.32
World Ex. Japan (1736)	155.72	−3.2	133.76	117.44	114.04	142.53	−2.6	3.47	157.26	134.28	119.31	116.58	143.99	165.40	153.20	150.47
The World Index (2208)	138.66	−8.3	119.12	104.58	101.56	120.42	−9.0	2.82	139.58	119.15	105.88	103.44	121.40	153.70	130.66	147.00

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.66 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).
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Constituent changes during the week ending 2/10/92: Deletions: Cetelem (France), Premafin Finanziaria (Italy), Nippon Stainless Steel (Japan). Name Changes: C Itoh & Co. to Itochu Corp. and Yuasa Battery to Yuasa Corp (both Japan).
Constituent change with effect 5/10/92: Addition: Procordia A Free (Sweden).

AMERICANS

	Notes	Price £	W'k's change	Div gross	Dividends paid	Last xd	City line
Abbott Labs	h	18¼xd	−4.1	80c	FeMyAuNv	10.7	1503
Allegheny & W.		366p	1.9	38c	–	–	–
Amdahl		512p	−6.7	10c	NvMrJeAu	31.1	–
Amer Cyanamid		32⅝	−3.7	$1.86	MrJeSeDe	4.3	–
Amer Express		12¼xd	−6.9	$1.00	FeMyAuNv	29.9	1594
Amer T & T		24 7/16xd	−4.1	$1.32	FeMyAuNv	25.9	1597
Ameritech		40⅛	0.9	$3.52	FeMyAuNv	28.3	–
BankAmerica		25⅛xd	−4	$1.30	FeJeSeDe	19.8	1744
Bankers NY		36⅜xd	−5	$2.88	ApJyOcJa	24.9	1745
Bell Atlantic		28⅝	0.4	$2.60	FeMyAuNv	4.7	–
BellSouth		36¼	0.4	$2.76	FeMyAuNv	5.4	–
Bethlehem Steel		8 5/16xd	−6.3	–	MrJeSeDe	8.2	1821
Bowater		1105pxd	−5.8	$1.20	OcJaApJy	9.3	1884
CPC	h	27⅛xd	−3.3	$1.20	JaApJyOc	25.9	2263
Cadiz Land Inc.		128p	–	–	–	–	–
California Engy		720p	−3	–	–	–	–
Chase Manhattan		12¾xd	1.0	$1.20	FeMyAuNv	24.7	2109
Chrysler		12 13/16xd	−3.8	60c	ApJyOcDe	9.9	2135
Citicorp		9 3/16xd	−7	–	–	23.10	2141
Colgate-Palm		33 3/16xd	−6	$1.24	FeMyAuNv	22.7	2124
Cont'l Bank		958p	−2	80c	DeMrJeSe	31.5	–
Dana		21 13/16xd	−4.4	$1.60	MrJeSeDe	27.8	2306
Data General		637p	3.4	–	–	–	–
Decora Inds.		116p	–	–	–	–	–
Dun & Brad		33⅝	0.7	$2.28	MrJeSeDe	13.2	–
Eaton		46½	2.8	$2.20	FeMyAuNv	2.2	2410
Echlin		11xd	−5.4	70c	JaApJyOc	30.9	3046
FPL		20 11/16xd	−2.1	$2.44	MrJeSeDe	25.8	–
Fluor		24¾xd	−3.4	40c	JaApJyOc	24.9	2609
Ford Motor		21⅞xd	−7.7	$1.60	MrJeSeDe	20.7	2615
Gen Elect		44½xd	−2.1	$2.36	JaApJyOc	22.9	2675
General Host		528p	−6.6	34c	–	13.12	–
Gillette		33⅛xd	−2.4	72c	MrJeSeDe	29.7	2695

[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING - AEROSPACE

[illegible]

ENGINEERING - GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

هكذا صدر الأصل

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

INVESTMENT COMPANIES

MEDIA

MEDIA - Cont.

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

Western & Pac CS ... 20½ -2.4 - - - - -

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- "Tap Stock"
- Interim since increased or resumed
- Interim since reduced, passed or deferred
- Tax-free to non-residents on application
- Figures or report awaited
- Not officially UK listed; dealings permitted under rule 535(4)(a)
- Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- Not officially UK listed; dealings permitted under Rule 535(2)
- Price at time of suspension
- Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- Merger bid or reorganisation in progress
- Forecast dividend: cover based on earnings updated by latest interim statement.
- Unregulated collective investment scheme.

Annualised dividend. Figures based on prospectus or other official estimates. Cents. Flat yield. Assumed dividend. Assumed dividend for scrip issue. Interim higher than previous total. Rights issue pending. Earnings based on preliminary figures. Dividend excludes a special payment. Indicated dividend: cover relates to previous dividend. Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. Not subject to ACT.

z Dividend includes a special payment: Cover does not apply to special payment. E Auction basis. F Dividend based on prospectus or other official estimates for 1990-91. G Assumed dividend after pending scrip and/ or rights issue. H Dividend based on prospectus or other official estimates for 1991. K Dividend based on prospectus or other official estimates for 1992-93. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1991-92.

N Dividend based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xC ex capital distribution

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The following changes have been made to the FT Share Information Service: Additions: **California Energy** (Section: Americans) and **Kobe Steel** (Metals & Metal Forming). Deletions: **Burns-Anderson** (Business Services) and **Conder Group** (Contracting Construction).

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4 pm close October 2

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅝	11½	AAR Corp	0.48	4.1	19	109	11⅝	d11½	11⅝	
26	18	A L Labs A	0.18	0.8	83	393	23¼	23⅛	23¼	-⅛
66¼	52⅞	AMP Inc	1.52	2.5	23	1140	60⅛	59⅝	59⅝	-⅜
80¼	55	AMR				203811	57¼	56¼	56⅝	
2⅞	1⅛	ARX			16	64	1½	d1⅛	1½	+⅛
53½	33⅞	ASA	2.00	5.8	22	184	34¼	34⅛	34⅞	-¼
34¼	26⅛	Abbott Lab	0.60	2.2	20	9147	28½	27⅝	27⅞	-⅝
13⅞	11½	Abitibi Pr	0.50	4.4	6	11	11⅜	d11⅛	11⅛	-⅛
11⅝	10⅝	ACM Gvt In	1.03	9.1		342	11⅜	11¼	11⅜	
10⅝	9¼	ACM GvOpp	0.89	9.1		105	9⅞	9¾	9¾	-⅛
9¾	8½	ACM Gvt Sp	0.79	8.4		350	9⅜	9¼	9⅜	+⅛
11⅞	10⅛	ACM Gvt Se x	0.96	8.5		119	u11⅜	11¼	11¼	-⅛
10⅝	8⅝	ACM Man	1.00	9.4		131	u10⅝	10½	10⅝	+⅛
12⅞	9⅞	ACM Managd	1.12	11.1		184	10⅜	10⅛	10⅛	-⅛
11¾	4¾	Acme Cleve	0.40	5.9	13	39	6¾	6⅝	6¾	
6¼	4⅛	Acme Elect			30	28	4¼	d4	4	-⅛
39¼	14⅞	Acuson			10	974	15⅝	15¼	15⅜	-¼
20	18⅛	Adams Expr	0.48	2.5	0	58	19½	19⅜	19⅜	
49⅛	29½	Ad Micro	3.00	8.2		435	37	36½	36⅝	-⅜
21½	7½	Ad Micro P	3.00	26.7		47773	11⅜	10⅞	11¼	+⅜
9⅛	4⅞	Advest Grp	0.16	2.8	71	2	5⅞	5⅝	5¾	
41⅞	33	Aegon ADR	1.68	4.0	7	36	41⅜	41½	41¾	+⅜
47	38	Aetna Lf	2.76	6.7	10	1263	42½	41¼	41⅜	-⅞
12¾	8⅞	Aflil A	0.24	2.2	12	686	11⅞	10¾	10¾	-¼
34	24	Aflac	0.44	1.4	14	1154	31½	30½	30½	-1
19¾	13⅛	Ahmanson	0.88	6.5		62482	13⅞	13⅝	13⅝	-¼
22½	4½	Aileen Inc			8	168	5⅛	4⅞	4⅞	-¼
49½	36½	Air Pr Chm	0.86	2.0	18	2903	44⅛	43⅝	43⅞	-¼
29¾	12½	Airbne Frt	0.30	1.8	32	533	16⅞	16½	16½	-⅜
24¼	22⅝	Airgas Inc			26	138	32	31½	31½	-½

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
90¼	62	Bristol M	2.76	[illegible]						
57½	39½	Brit Airwy	2.16	[illegible]						
49½	40⅛	Brit Gas	3.86	[illegible]						
66⅝	43⅜	BP ADR	3.60	[illegible]						
32¼	27⅞	BP Prudhoe	3.15	10.0						
1⅞	⅛	BP Wts93								
15⅛	9⅛	Brit Steel	0.76	[illegible]						
70⅝	53⅞	Br Telecm	4.48	[illegible]						
22¾	15¼	Broad Inc	0.20	[illegible]						
35⅛	28	Brooklyn U	1.94	[illegible]						
29¾	21	Brown Grp x	1.60	[illegible]						
10½	5	Brown&Shrp	0.32	[illegible]						
90	72	BrwnFormnB	2.44	[illegible]						
25¼	19⅝	Browng F x	0.68	[illegible]						
3⅞	1⅞	BRT								
17¾	12¼	Brunswick	0.44	[illegible]						
19	12⅜	Brush Well	0.20	[illegible]						
32⅛	25⅞	Buckeye Pt	2.60	[illegible]						
17¼	15⅜	Bunker Hill	1.44	[illegible]						
15	11⅜	Burger K I	1.56	10.6						
18¾	11	Burl Coat								
47⅜	33¼	Burl North	1.20	[illegible]						
43⅝	33	Burln Resc	0.50	[illegible]						
18	14¼	Burnham Fc x	1.36	[illegible]						

- C -

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
37½	28⅝	CBI Ind	0.48	[illegible]						
220½	132¼	CBS Inc	1.00	[illegible]						

Continued on next page

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NYSE COMPOSITE PRICES

Continued from previous page

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Prev. Close	Ch'ge
30½	25¼	Yankee Egy	1.65	5.4	14	49	u30⅝	30½	30⅝		+⅛
1½	½	Zapata			25	132	1⅛	1	1		
11⅛	5¾	ZenithElec			3	345	5⅞	d5¾	5⅞		+⅛
18½	14½	Zenith Nat	1.00	5.9	8	22	17	16¾	17		+⅛
7½	6	Zenix Inc x	0.82	11.3		128	7¼	7⅛	7¼		+⅛
13¼	10	Zero Corp	0.40	3.7	17	173	11⅛	10¾	10⅞		−⅛
38	27¾	Zurn Ind x	0.88	2.9	33	56	30⅝	30½	30⅝		−⅛
14⅛	12	Zweig Fund	1.14	9.0		478	12¾	12½	12⅝		−⅛
11	9½	Zweig Totl	0.96	9.5		882	10¼	10⅛	10⅛		

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or *paid* in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. *i-dividend declared after split-up or stock dividend.* j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in *the past 52 weeks. The high-low range begins with the start of* trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

NASDAQ NATIONAL MARKET

4 pm close October 2

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Wilmington	0.48	19	2880	18⅞	d18¾	18⅞	
WPP Group	1.11	1	552	1¼	d1⅛	1⅛	−⅛
Wyman-Gdn	0.40	4	592	5⅛	4⅞	4⅞	−⅛
Xilinx		18	3084	17¼	d16¾	16¾	−½
Xoma Corp		5	1682	10¼	9¾	10¼	+¼
Yellow Fr	0.94	20	3086	24⅛	23½	23½	−⅛
York Rsch		7	3967	7⅛	6⅞	7	
ZionsUtah	1.44	11	30	u61	59½	59⅞	

AMEX COMPOSITE PRICES

4 pm close October 2

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Perini	0.80	21	9	11⅝	11½	11½	−⅛
Pet Ht&P	1.14	13	14	16¾	16½	16¾	+⅛
Phil LD	0.26	76	882	40⅜	40	40¼	+1
Pittway A	1.10	16	16	29⅝	29½	29⅝	−⅛
Ply Gem	0.12	21	42	10	9¾	9¾	−¼

MONDAY INTERVIEW

The sure touch of a survivor

Sir Norman Fowler, the Conservative party chairman, talks to **Philip Stephens**


Tony Andrews

Sir Norman Fowler is one of the great survivors of Conservative politics. As others who sat around Mrs Margaret Thatcher's first cabinet table in 1979 squabble from the House of Lords over how an economic miracle shattered into a mirage, Sir Norman is among those still trying to pick up the pieces.

Now Conservative party chairman, he left the cabinet in January 1990, telling Mrs Thatcher that after nearly 11 years he wanted to spend more time with his family. Mr John Major's move into Downing Street 10 months later persuaded him that that he had time still for politics. By the end of this week he may be forgiven for having third thoughts.

When he moved into Smith Square last April Sir Norman saw his principal role as a peacetime chairman who would overhaul the creaking structures of a party which wins elections despite its campaigning skills, rather than because of them.

That remains a priority. Within the next few months he will announce the most fundamental reform of his party's organisation for 40 years. It will weld together the disparate wings into a single board of directors and begin to whittle down a £10m overdraft.

But his energies this week in Brighton will be absorbed by the latest bloody episode in the Tory civil war over Europe. His job will be to rally the support of grass-roots activists for Mr Major over the Maastricht treaty; to persuade them that images of Mr Norman Lamont should be cast from their minds when they issue the traditional call for the return of capital punishment; and to ensure the now Lady Thatcher is silent.

Sir Norman, who has no department of his own but sits in on the cabinet's political discussions, is one of the pivotal figures in Mr Major's effort to regain a grip. Rooted in the same Tory centre-ground as the prime minister, his job is to offer the soothing reassurance which has made him a master in the art of lowering the political temperature.

The party's footsoldiers are feeling bewildered and betrayed. Six months ago they anticipated a celebration in Brighton of their fourth consecutive election victory. That hope was shattered in a few hours on September 16 when the City of London's young men in braces kicked away the central plank of the prime minister's economic and foreign policies.

Instead of economic recovery, there is continued recession; instead of unity on Europe, there is open warfare. The prime minister who promised he would never devalue has done just that – by a whacking 18 per cent.

Sir Norman, of course, does not quite see it like that. The Man from Middle England, whose sureness of political touch saw him emerge unscathed from some of the most difficult posts in a Tory cabinet, emphasises that Mr Major will fight.

He applauds last Thursday's decision by the cabinet to begin to fill the vacuum left by sterling's ignominious departure from the European exchange rate mechanism by pressing ahead with ratification of Maastricht. The activists need leadership.

Sir Norman omits to add that last week he pressed the prime minister as hard than anyone to demonstrate that leadership before – rather than after – this week's conference. "My own view is that the centre of the party backs John Major's stand, backs his negotiating skills ... and are also in a sense delighted that he has come out fighting."

The theme crops up again and again during a 40-minute interview. If the Tory party in the country gets clear leadership, its activists will respond: "One of the messages of this conference is that this is a time when the party is under attack. ... We recognise that ... but it is also a time when we will signal very clearly that we are fighting back".

Left unspoken is the thought that the most threatening assault comes not from the Labour party but from the Euro-sceptics in the Tory party. Lady Thatcher, Lord Tebbit, Lord Ridley and 50 or more of their acolytes on the Conservative backbenches in the Commons look far more threatening than that nice pro-European Mr John Smith.

After signs of cabinet divisions over whether Mr Major should drop Maastricht, the party chairman is determined to get one point across – every single cabinet minister had signed up to ratification.

Last week's decision to press forward with Maastricht followed a "discussion around the cabinet table, the political cabinet, in which most ministers –

'The centre of the party backs Major's stand'

almost all – took part and in which everyone was agreed that this was the way forward".

There is then a gentle warning to his colleagues as well to the Euro-sceptics: "I think opponents of this course should actually take note of that [agreement]. Because there are not going to be people going behind and saying, 'Well, actually it has nothing to do with me. We believe in something else.' That isn't going to happen."

PERSONAL FILE

- **1938** Born Chelmsford, Essex.
- **1961** Graduated, Trinity Hall, *Cambridge*.
- **1961-70** Journalist and home affairs editor, The *Times*.
- **1970-74** MP for Nottingham South.
- **1974-** MP for Sutton Coldfield.
- **1979-81** Transport secretary.
- **1981-1987** Health and social services secretary.
- **1987-1990** Employment secretary.
- **1992-** Chairman of the Conservative party.

Mr Michael Portillo, Mr Peter Lilley, Mr Michael Howard and Mr Lamont – the least enthusiastic Europeans in the cabinet – have been forewarned.

Sir Norman has persuaded Lady Thatcher that she should reserve her next onslaught on Maastricht for a more suitable occasion. He spoke at length to her 10 days ago and agreed that she should step on to the platform alongside Mr Major on Thursday morning just before Mr Lamont's speech.

The Lady is unpredictable, but Sir Norman seems confident enough that she will stick to a silent part: "I had a long talk with Margaret. ... She was in tremendously good form. What she said was that she wanted things to happen as normally as they could. But the party conference will want to make a fuss of her and rightly so."

But what about the economy? Constituency parties after all are crammed with small-business owners, who have been among the worst hit by the recession. For two years Mr Lamont told them the pain of the ERM would bring its rewards in stable prices and renewed growth. Neither are in sight, and the attempt to hold the exchange rate has been abandoned.

Sir Norman opens up the tap of reassurance: "I think what one says is what the truthful position is. It was the right decision to go into the ERM. But given the totally tumultuous circumstances that we faced at the time it was right to suspend our membership".

But surely the representatives (there are no delegates in the Tory party) will want to know whether the government still has an economic policy? "What the chancellor I'm sure will be spelling out is that, whether we are in the ERM or not, what matters is the underlying policy of, for example, the control of inflation and the control of public spending."

Neither will be easy and this year's spending round is proving particularly rough: "Any government department has to act within the confines of what the nation can afford," says Sir Norman. The implication is that the Conservatives can no longer guarantee to meet the manifesto pledges they offered to the electorate only six months ago.

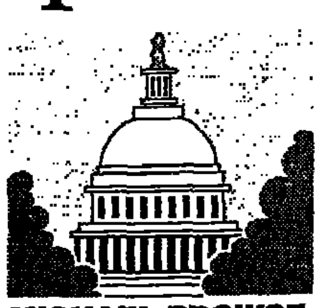
Sir Norman moves on for the remaining minutes to his other role, acknowledging in effect that Tory party finances are in as bad a state as the nation's: "We have an overdraft of over £10m. That is an absurd position for this party to be in".

Popular myth has it that the party is a gleaming, well-oiled machine, the Rolls Royce of British politics. In fact, local constituency parties – independent of Smith Square and represented by a separate National Association – are frequently at war with Sir Norman's empire in London.

Many associations refuse to hand over any money to the central office, accusing Smith Square of waste and mismanagement. A group of 50 constituencies have demanded an emergency meeting of the umbrella Central Council to force through the "democratisation" of the party's organisation.

The chairman hopes to outflank the critics by putting representatives of all wings of the party on his new executive boards and by introducing a modicum of transparency into the central office's notoriously secretive accounts. He has chosen a finance director, and the other newly created post of chief executive should be filled by the end of this year. That, of course, is if Sir Norman is not gripped by an overwhelming desire to spend more time with his family after a week of civil war in Brighton. .

The risk of a triple dip



MICHAEL PROWSE
on America

President George Bush hailed the marginal decline in unemployment last month as a sign that the economy was on the mend. He was grasping at straws. The jobless rate fell only because the labour force shrank faster than employment; it was not a sign of strength. Recent economic data, in fact, are quite alarming – the economy appears to be losing what little momentum it had during the summer. On Wall Street there is even talk of a "triple dip" recession.

This will irritate many optimists who deny that the economy ever suffered a second dip. Gross domestic product has grown every quarter (albeit very sluggishly) since the spring of last year when the contraction phase of the recession ended. But the economy most definitely dipped late last year; a host of indicators – including employment and industrial production – declined sharply, prompting the Federal Reserve to cut interest rates by a full point in an effort to revive confidence. For a while, the stimulus appeared to work wonders; consumer spending surged in the first quarter of this year, prompting an increase in production and some rebuilding of corporate inventories.

The ever-sanguine US forecasting fraternity promptly assumed that the "recovery" was finally underway. The previous year's forecasts of 3 per cent growth were dusted off and issued as 1992 projections. Yet it has become apparent that something is amiss. Consumer spending ran ahead of incomes and did not generate enough new employment to become self-sustaining. By mid-year it was clear that the economy was growing at an annual rate of only about 1.5 per cent; consumer confidence, meanwhile, was again beginning to erode. With the outlook for exports also deteriorating because of depressed markets in Europe and Japan, business confidence began to wobble. Instead of hiring, companies began firing, further undermining consumer confidence.

The upshot is that the economy is now in almost as fragile a condition as this time last year. GDP appears to have grown in the third quarter, but at a declining rate. The employment figures released on Friday were a catalogue of woe for the second month running. Non-farm payroll employment declined 57,000 last month and figures for August were revised sharply down to show a decline of 128,000. After allowing for the distorting effects of the federal summer jobs programme, employment has registered an average monthly decline of about 19,000 for the past three months, marking a sharp break with the modest gains recorded in the second quarter. The average work week also contracted, indicating further pressure on personal incomes.

Nearly every recent economic statistic has been significantly weaker than predicted. But the biggest shock was delivered last week by the nation's purchasing managers – unsung executives whose collective ear tends to be close to the ground. The Purchasing Managers' Index, a barometer of conditions in manufacturing industry, plunged last month, falling below 50 per cent for the first time since January when the economy was recovering from a second dip. Readings below 50 per cent indicate the manufacturing sector is contracting. The sharp fall, moreover, mainly reflected a collapse in the component of the index measuring corporate order books; historically this has been one of the more accurate leading indicators.

The housing and construction industries, normally the first to benefit from lower interest rates, are also flashing amber. Home sales and construction outlays have fallen sharply recently despite the lowest interest rates for nearly three decades. Analysts are alarmed by signs that non-residential construction is again collapsing, having appeared to stabilise earlier this year. With corporate giants such as IBM announcing big staff cutbacks, an early firming of demand for office space, which remains in chronic excess supply in nearly every American city, seems improbable.

The economic outlook is much worse than most forecasters – certainly the White House – ever envisaged. But it would be wrong to exaggerate the risks. If a triple dip materialises at all, it is likely to be similar to last year's mini-downturn – a stalling of growth in which some, but not all, sectors and regions slip temporarily into recession.

But even this degree of discomfort may be avoided if the Fed opts to cut interest rates again after next week's meeting of governors and regional presidents. The betting on Wall Street is that interest rates will be reduced, despite the risks of turbulence in foreign exchange markets and the proximity of a presidential election. At the margin this will help revive confidence, although it is hard to see the current level of rates as a binding constraint on economic growth. The odds that a new president will authorise a fiscal stimulus next spring have also shortened, although it is far less clear that additional borrowing would offer net benefits.

The 3 per cent growth forecasts that keep surfacing will eventually be vindicated, but only when structural factors depressing the economy, such as high consumer and corporate debt ratios, glutted real estate markets, and the secular decline in defence spending, have loosened their grip. How long the adjustment will take is still anybody's guess. In the meantime the economy is likely to make erratic progress.

Major's moment of truth

IAN DAVIDSON
on Europe

John Major's decision to bring the Maastricht treaty back to parliament within the next few months means that he knows the moment of truth cannot be postponed any longer.

In the end there could be no alternative to a decisive trial of strength between the prime minister and the Euro-rebels, and sooner must be better than later, because the mere passage of time could only make his position weaker still.

He has no option but to put the question to the test, because failure to ratify the Maastricht treaty would mean the ruin of his political credibility at home, and the ruin of Britain's credibility in the Community. Until last Thursday procrastination and evasion might have seemed a safer policy; but in reality it would just have been a slower and more insidious road to the same sort of ruin.

The consequence would be that the UK would be marginalised when the other member states then started to discuss between themselves – as they undoubtedly would – alternative arrangements.

Chancellor Helmut Kohl and President François Mitterrand have recently stressed their continued commitment to the existing 12-nation Community. No doubt that is what they would prefer; but if the Maastricht treaty were to fall in Britain, there is no chance that the other member states would sit with their hands folded, waiting for something to turn up.

Mr Major has now set himself a shorter deadline, because he knows the patience of Paris and Bonn is strictly finite; and that is because President Mitterrand has very little usable time left. The Elysée Palace claims that his prostate cancer is not dangerous; but he is surely having treatment for it, and cancer treatment is always exhausting, especially for a man of 75.

More important, Mr Mitterrand is running out of political road. The general elections next March are likely to bring a very heavy defeat for the president's Socialist party and a sweeping conservative victory. In the normal course of events, this probably means a conservative government led by the Gaullists; but while the Gaullist leadership campaigned in favour of Maastricht, a large majority of its followers voted against. There are some advance murmurings that the conservatives' victory could be so large that they might be able to force the president out of office. Either way the president's European policy will be in jeopardy. If he wants to keep the Maastricht treaty on the rails, or look for some alternative, he needs to know how things stand very soon.

Mr Major's domestic pretext for going into battle for the Maastricht treaty is that he believes he will be able to claim important improvements in the way the treaty will operate. Among other things, he expects to get a piece of paper agreed at the Birmingham summit which will put strict limits on gratuitous interference by the Brussels institutions. Specifically, this should clarify and strengthen the principle of "subsidiarity", by which the Community should not intervene in matters which can be better handled in the member states.

The problem with this so-called "Birmingham declaration" is not just that it is bound to be juridically ambiguous, but that it is transparently intended to deceive. Britain and others are trying to blame the Commission for the current wave of popular anti-Community sentiment, which surfaced in the French referendum. But to pretend that the Commission has grabbed power from the member states to satisfy the overweening centralist ambitions of Jacques Delors is deliberate and shameless misrepresentation.

The Commission does not deserve to be idealised. It is no doubt bureaucratic, self-satisfied and incompetent; but it is no more bureaucratic, self-satisfied and incompetent than the British Treasury, or indeed any Whitehall department. The fundamental point is that the Commission has no powers except those given by the member states; and the attempt to make it a general scapegoat for the present malaise is grotesque.

If the government serves up this kind of deception as its primary life-line to ratification, it is obviously in deep psychological trouble. Last Thursday Mr Douglas Hurd, the foreign secretary, gave a speech which was meant to be a strong defence of the Maastricht treaty. Unfortunately, it showed that the government does not really like any part of the treaty; not European monetary union, nor a common foreign policy, nor powers for the European Parliament, nor the social charter, nor immigration and justice – nothing.

Instead, Mr Hurd claimed that the treaty would make it easier to enlarge the Community, to conclude the Uruguay Round, implement the single market and reform the agricultural policy. Alas, all these fall-back claims are simply untrue.

If the Hurd speech gives a true picture of what the government collectively thinks about Maastricht, then it almost certainly cannot push the treaty through the House of Commons.

It is one thing to make an appointment with fate. It is quite another to muster the spiritual intensity to win over the waverers and cow the rebels. This government does not like the treaty which it described a bare 10 months ago as a triumph for Britain, and it shows.

CROSSWORD

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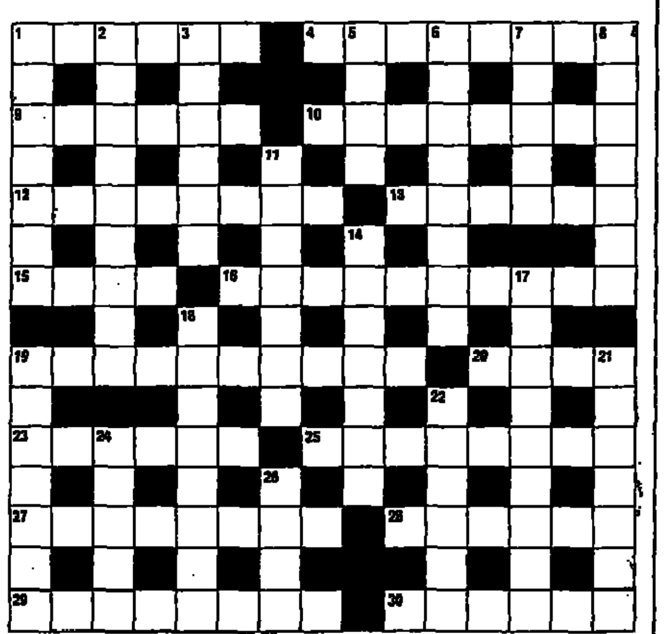

ACROSS

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4 Wild pig in its own fat calls for old port (8)
9 Work that is about making capital investment (3,3)
10 Said and done in making a complaint (8)
12 Injured by swindle in currency (8)
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2 Make sweet turnover to follow a spring vegetable (9)
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18 Big copper's ex gets kiss (8)
19 Novel, article and story (7)
21 Uncommon payment for an author (7)
22 It has row upon row of rowers (6)
24 Posts a slim package (5)
26 Career people (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday October 17.

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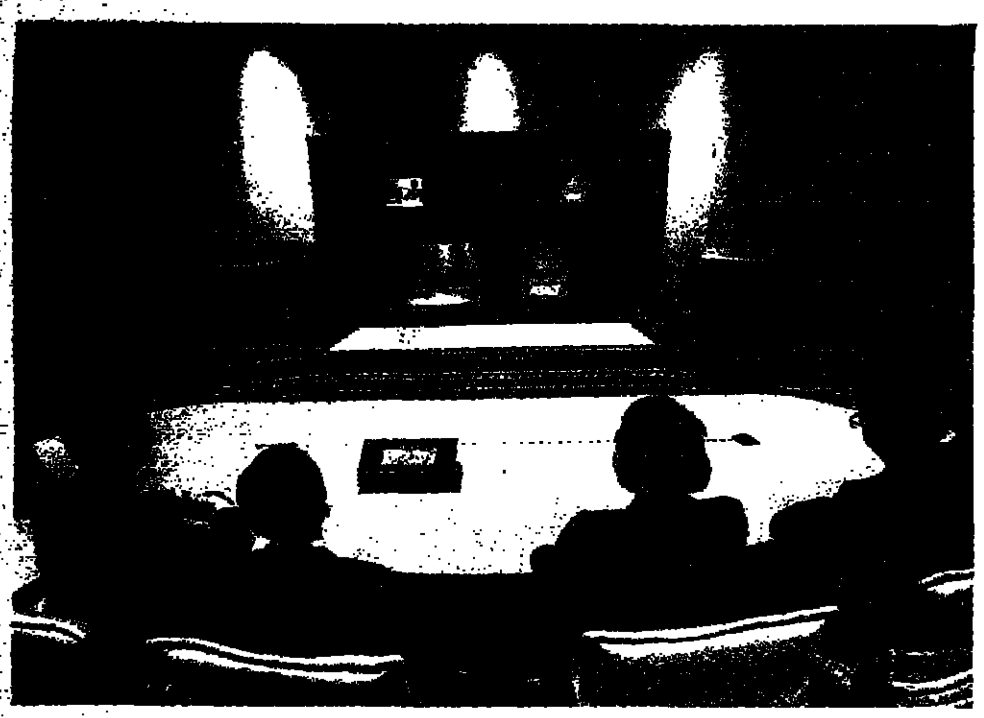
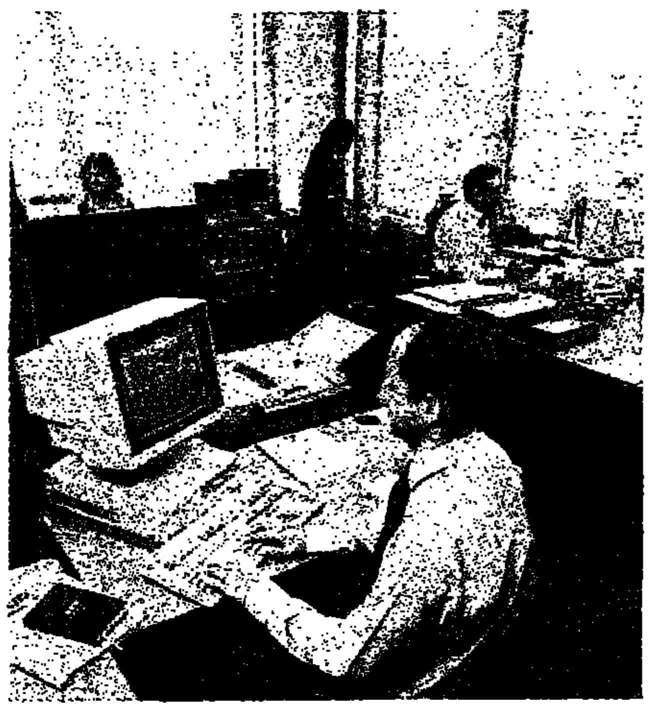
FINANCIAL TIMES SURVEY

TECHNOLOGY IN THE OFFICE

SECTION III

Monday October 5 1992





■ Innovation abounds in the latest office designs and technology: Pictured left is the London video-conferencing room in the communications planning centre of AT&T, the US telecommunications group. The video complex was designed by the Business Design Group

■ The news and current affairs department of the BBC in London (pictured right) has streamlined its internal fax communications system with the Xerox Lan/ Fax Express 21, a time-saving device which electronically connects 20 PC terminals. Users can generate, send, receive and view faxes without having to leave their workstations. Plain paper copies of messages are printed out only when required, thus helping to reduce the volume of paperwork

IN THIS SURVEY

■ Editorial production: Phil Sanders

Paperless dream still tantalises

New hardware and software offer fresh opportunities, writes Paul Taylor

Ever since the first personal computers began turning up on office desktops more than a decade ago, the prospect of a paperless, automated and super-productive office of the future has remained tantalisingly just out of reach.

Despite the advent of office technology, about 95 per cent of information used in the office is still stored on paper rather than electronically. Indeed, far from dispensing with paper, office workers are handling increasingly larger volumes of it.

At one organisation interviewed as part of a recent UK study* by management consultants Touche Ross, the 2,000 staff dealt with 45 tonnes of incoming mail last year, and 48 tonnes of outgoing mail – equivalent to generating 25kg of paper per person.

The Touche Ross study of information management revealed that although 70 per cent of organisations believed they had too much paper (which they generated themselves), the same organisations listed their most significant problem as not having enough space to store their records.

The report also showed that through poor management of records, companies are starved of information. Between 40 and 70 per cent of staff lack sufficient information to do their jobs properly. The remainder tend to have too little rather than too much.

"We conducted the survey to confirm our belief that businesses are suffering costs by not managing information successfully," said Mr David Best, a partner at Touche Ross and a leading expert on information management. "We know that there are significant benefits to be achieved and we wanted to see if we could identify them and any of the pitfalls encountered along the way."

"Our findings show that a high percentage of information is paper-based and almost one quarter of organisations have no standards and procedures for dealing with it," said Julia Parsons, co-author of the report. "Management rarely sees paper-based information as a complementary building-block to information held in computer systems, and so it does not manage it in an integrated fashion."

Nevertheless, the study also revealed a dramatic growth in the use of electronic data, even though there is a long way to go before people give up the "comfort" of paper. There is also a definite trend towards optical storage although "there is no corresponding rapid decrease in the use of paper," said Ms Parsons.

It is perhaps the failure of organisations to view, plan and monitor the office process in its entirety which possibly explains some of the disappointment and disillusionment with office automation most often expressed by those who have funded it.

In the past this has often led to the piecemeal purchase of a higher quality photocopier, faster printer or new PC, but a failure to automate the whole process. As a result, the basic flow of information through an organisation actually changes very little and predictably this unco-ordinated approach has frequently failed to deliver the hoped-for efficiency and productivity gains.

But it is only relatively recently that all the building blocks for a truly integrated digital office have begun to fall into place.

New hardware such as digital optical scanning, storage and retrieval devices and CD-ROM have appeared along with other new technologies such as digital cordless telephony, desktop video-conferencing and software applications such as electronic mail and voice mail systems for networked PCs. This new hardware and software is now beginning to open up new possibilities for integrating systems and streamlining procedures.

In one area alone – that of wireless office telephone lines – the productivity gains and potential savings could be substantial. As a result, the Washington-based consultancy EMCI estimates that by 1996 France, Germany, Italy and the UK will have installed 6.4m wireless office telephone lines.

There is also a growing awareness of the advantages of other wireless data communications systems such as wireless local area networks (Lans), and of electronic data interchange (EDI) which can remove the need to send and receive standard paper forms such as invoices, orders and bills.

Similarly it is now possible to bring together previously unconnected pieces of electronic hardware. For example, multifunction digital devices which combine some or all of the features of a fax machine, scanner, photocopier and laser printer have begun to appear. High-volume electronic demand printers which link directly to computers are now available, as are digital copiers which scan a hard copy once before reproducing multiple copies.

Fax and other communications functions are being built into PCs and office networks, removing the need for paper print-outs entirely. Desktop video-conferencing using a card plugged into a PC is also already possible and may in time reduce the need to travel to meetings.

Meanwhile multimedia systems enable text, computer graphics, full-colour photographs, moving video and sound to be combined and have applications in sales, training and internal communications.

As the digital office becomes a real technological possibility, equipment suppliers are increasingly focusing on their core expertise. But they are also forming loose partnerships and working in collaboration with each other to combine technologies and provide more effective "solutions" for the marketplace.

This trend is illustrated by Kodak's list of development partners. Kodak is applying its imaging technology expertise with Novell in networking software, IBM and Apple in computer hardware, Digital Equipment in open systems, Lotus for certain PC software and with Adobe which has incorporated Kodak's Photo YCC colour image standard in its latest Postscript Level 2 page description language.

The availability of various digital technologies which need to be integrated is only one of the issues that management consultants believe needs to be addressed if office productivity is to be improved. Another is whether the management structures in organisations have developed to complement the available technology? In many companies, responsibility for different pieces of equipment will lie with separate departments. But it is generally accepted that in order to implement and operate an integrated strategy it is necessary to put someone in charge of office automation as a whole, rather than maintaining distinct roles for the data processing manager, the information technology manager and others.

One reason for identifying someone as responsible for office automation is that he or she will also need to consider other factors, not least the office environment itself. The quality of the office environment is an increasingly "hot" issue for equipment manufactures and employers. Legislative requirements are steadily being tightened, a process which is often being spearheaded by the European Commission. Over the past two years, the Commission has issued several directives aimed at providing a framework of minimum standards for ergonomics and office health and safety.

These directives, which include provisions on computer hardware, software, furniture and the office environment, are due to become law in all member states this year.

Manufactures such as ICL, the UK computer group which is owned by Japan's Fujitsu, have seized upon the growing awareness of ergonomics and environmental health issues as a marketing opportunity. Following its acquisition of Scandinavia's Nokia Data, ICL is now marketing a range of PCs which already meet or exceed all the EC requirements.

"Ergonomics is no longer a fad or a fashion," said Mr Philip Vanhautte, vice-president for marketing and customer concerns at ICL Personal Systems. Instead, he says, it has moved into the mainstream.

What ICL has identified is that automation of the office is about much more than just providing the equipment. Criti-

Continued on Page 2

TECHNOLOGY IN THE OFFICE 3

■ PRINTERS

More flexible options

Until the "paperless office" becomes a reality rather than just a dream there will be a need for printers to turn personal computer data into words and graphics on sheets of paper.

Office printer technology has come a long way since the early days. As PCs have become more powerful, and software more sophisticated, users have sought more flexible print options.

The printer market today is fiercely competitive and second only, in terms of volume and value, to PC hardware itself. According to Romtec, the Berkshire-based marketing consultancy, 745,000 printers worth £617m were sold in 1991. Volume sales are forecast to increase by 50 per cent by 1996 and by at least 20 per cent to about £740m in terms of value.

But the mix of sales is also changing rapidly from older, "impact" printing techniques such as dot matrix and daisywheel, to newer, non-impact methods such as inkjet and light-emitting diode (Led) and laser.

While daisywheel printers have all but disappeared, dot-matrix printers still hold more than 40 per cent of the total printer market and have an important role to play. The latest 24-pin dot matrix printers from companies such as Epson, Panasonic, Star and Oki are capable of producing high quality text and graphics at bargain prices.

Meanwhile, dot matrix line printers, with speeds of up to 5,000 lines per minute, are the office workhorses, especially suited to printing multipart forms, invoices and other stationary on continuous-feed paper.

Nevertheless, as prices tumble, the underlying trend is towards non-impact machines. These are much quieter than impact printers and combine high speed with advanced text and graphics handling capabilities.

The level of demand for inkjet printers, which can now be bought for as little as £300, has even taken some suppliers by surprise. Hewlett-Packard, the market leader, has had to build a new US factory to turn out 500,000 inkjets a month.

Lightweight inkjet printers such as those sold by Cannon, Mannesmann Tally and Kodak are also proving very successful in the fast-growing portable market.

But in the office desktop market, where users are demanding higher print capabilities to match their software, those who need speed as well as quality can now buy eight-page-per minute (ppm) laser printers for less than £1,000 at street prices, or 4ppm lasers for less than £600.

Laser and Led printers accounted for more than a quarter of all printer sales in the UK last year and are expected to take at least a third of 1996 sales. Inkjet printers are forecast to take a further third, giving non-impact technologies about two thirds of the total UK market by 1996.

Another important factor driving laser printer sales is the increasing trend towards networking PCs and the growth of workgroup computing, which opens up the possibility of sharing printers and helps justify the steady migration to more expensive, high-speed (16ppm to 20ppm), heavy-duty network laser printers such as Compaq's new Pagemarq printers aimed at a market expected to reach $30bn by the mid-1990s.

The worldwide market for personal printers is forecast to grow by just over 18 per cent 1992 to 1995,

HP's success in laser printing owes much to the development of its Printer Command Language

while unit sales of network printers are expected to increase by 26 per cent over the same period, according to Massachusetts-based BIS Strategic Decisions and Compaq Computer estimates.

According to Romtec, Epson and Hewlett Packard (HP) dominated the UK PC printer market in 1991, with respective market shares by volume of 22.4 and 22.1 per cent. Because Epson's product mix is biased toward lower-cost dot matrix printers, compared to HP's focus on laser and inkjet machines, their market share by value is very different, with HP taking 34.4 per cent and Epson just 13 per cent.

Within the laser printer market, HP is the clear market leader, but under increasing competitive pressure from companies such as Lexmark, the IBM alliance company, and Oki, both of which have been increasing market share.

HP's success in laser printing owes much to the development of its Printer Command Language (PCL). The vast majority of laser and Led printers support PCL, leaving manufacturers to differentiate their products through other features such as font capabilities, greater speed and easier paper handling. A growing number of laser printers, however, now support Adobe PostScript which offers greater font and graphics flexibility than even the latest versions of PCL.

Among the most exciting developments in printer technology is the gradual appearance of colour desktop printing capability. Some dot-matrix machines provide cheap, but somewhat limited, colour options. Colour inkjets provide a more flexible higher quality option and are increasingly popular. But colour lasers are rapidly declining in price although they still command a hefty price premium and therefore serve a specialist niche rather than a mass market.

Laser printer manufacturers are focusing on the environment. Most laser printers tend to generate a lot of waste in the form of used toner cartridges and printer drums. In response to growing concern about the environment many manufacturers now operate cartridge recycling schemes.

Some manufactures have adopted even more radical approaches. Among them Kyocera claims its new ecologically friendly Ecosys FS-1500 printer reduces the cost of ownership by about two thirds to 0.6p a page. Unlike conventional lasers which need replacement printer drums periodically, Kyocera's Led machine is built around an amorphous silicon (aSi) drum which is durable, scratch-resistant and, it is claimed, will last the life of the printer – even when using abrasive recycled paper.

Another potential problem with laser printers, and xerographic copiers, is that they generate ozone which can pose a health hazard to office workers and has been blamed for triggering allergies. The ozone is normally trapped by an air filter, but with use the filter clogs up and ozone emissions can rise.

Now Canon, which makes 80 per cent of the world's laser printer engines, has developed a way to reduce ozone emission substantially by replacing the highly charged wire in a laser printer with a special charge transfer roller so that even if the filter clogs there is still no significant release of ozone. Other printer manufacturers, including both HP and Kyocera, are following Canon's lead.

Paul Taylor

■ OFFICE SOFTWARE

New and exciting products

THE 1990s will bring about the biggest revolution in office software that we have ever seen. The decade is about useability, software that is flexible, interesting to use and designed to meet the real needs of the business.

Gone are those boring inflexible systems that operated on different computers, never talking to each other and churning out endless reams of paper which no-one read.

We are now seeing the emergence of new and exciting software that will pave the way to fully integrated office solutions of the future. Software has been developed with Europe in mind, providing a standard solution for subsidiary companies across Europe, no matter in which country they operate.

The problem is that most of the business software that exists at the moment is of the boring, inflexible type and therefore there will be a transition over the next two or three years as companies realign themselves to the new generation of software being developed. The most important aspect in this realignment is choosing the operating system for the future.

It is now accepted that the old proprietary operating systems – that is systems developed by hardware manufacturers to run exclusively on their own hardware platforms – are just about dead and buried. The only exception is IBM with its proprietary mid-range and main-frame systems.

The trend today is towards Open Systems; systems that can operate on a variety of hardware platforms, outside the control of any one manufacturer. Open Systems encompasses the multi-user environments of DOS Networks and Unix. There are still many suppliers of DOS Networks and many flavours of Unix, but over the next few years they should align themselves behind the leading suppliers. Novel is starting to dominate the Network environment and Unix International the Unix environment.

Many people still have a PC at one end of their desk and a dumb terminal at the other. The future will be the PC alone as the personal entry point to the computer system. Open System Network environments, with their client-server architecture, enable the PC to act as the client linking to a variety of servers configured for Unix, Digital's VMS or IBM's AS/400. But this is not a PC using terminal emulation, this is a PC using its own hard disk to store local programs and only interrupting the server to update the data files located centrally.

While the hardware technology for Open Systems Networks exists, very few business and accounting packages have been developed to make use of this client-server technology. In fact there are still very few business and accounting packages that provide a really integrated office solution. Modern offices use word processors, spreadsheets, databases and electronic mail but few developers have tried to integrate these with the business and accounting system, and in many cases these software packages operate on different computer systems that are not even linked together.

Users of spreadsheets, word processing and desk-top publishing systems widely accept the use of Windows, but users of business and accounting systems are not taken with this new technology. However, advancements in the design of the modern integrated business system reduces the need for intensive data entry and the Windows environment will become more important.

September 1992 has brought with it a large number of launches of new and innovative business and accounting software products.

Sage, with its market leading entry-level Sterling product, is launching Sterling + 2 which is an advanced design of the existing product, incorporating the advantages of either the Windows environment or the character-based DOS environment – whichever the user prefers.

It will be one of the first packages to have one screen that shows all of the information for the quarterly VAT return, and an invoice entry screen that really looks like an invoice.

There has been a significant gap in the Unix market for highly functional mid-range business software capable of handling more than 50 users. In that market, Tetra has revamped its market-leading Unix package, Chameleon, as Chameleon 2000 with higher functionality designed around the Informix Online database engine to cope with larger volumes of transactions.

There are too many business packages available with no significant market leaders. In the next few years, as the software market matures, we will start to see packages that can be easily differentiated from the boring run-of-the-mill software that exists today. Fully integrated office products are now arriving on the scene.


Exciting new software has been developed with Europe in mind

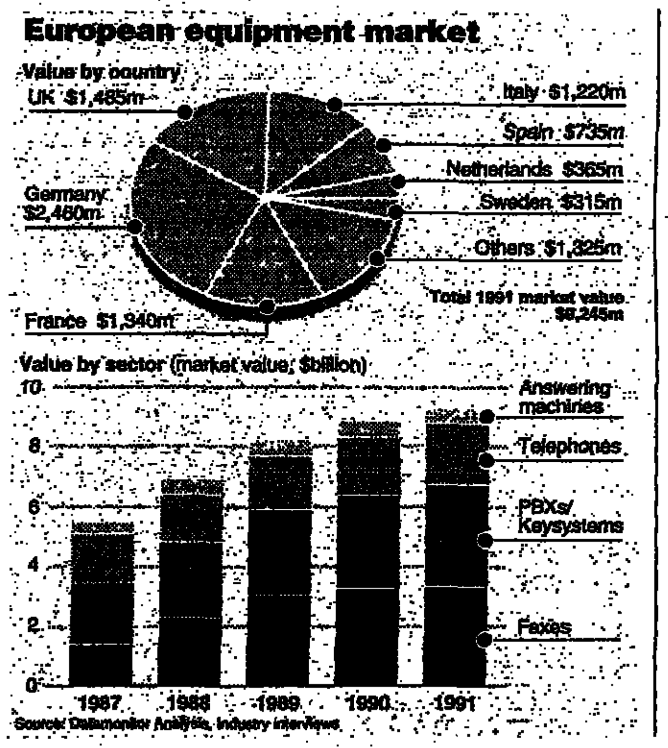
Exact, the market leader in Holland, is launching its financial package in the UK later this year, which directly links to spreadsheet packages cell-by-cell, giving a high level of on-line financial reporting.

We are now seeing packages with direct links to the leading databases with products such as Oracle Financials, Cedardata CFACS, IBM's FMS/R, Prophesy, Miracle Tapestry, and Strata. Some packages are starting to link directly to E-Mail, such as Computer Associates' Masterpiece for the authorisation of invoices and many packages are starting to realise the importance of Executive Information Systems (EIS), providing drill-down/zoom capability and data in a graphical form with packages such as Kerridge, Fairview Control and QSP OLAS.

It takes time to find the right software and with more than 800 different business and accounting products available in the UK, it is not a straightforward task. It is easy to find highly functional products that do not integrate with other products. But the future is about a totally integrated office environment that really is user friendly.

Dennis Keeling

European equipment market



Source: Datamonitor Analysis, Industry interviews

■ FAX MACHINES

Back to the future

ALMOST 30 years ago, in 1964, Xerox unveiled the Long Distance Xerography terminal, the world's first facsimile machine for business use.

The LDX system, which consisted of a separate scanner and printer each the size of a four-drawer filing cabinet, transmitted typed, written or drawn images and printed them on plain paper.

Since then the business fax machine has shrunk considerably in size and has become an integral part of most offices. In Britain alone there will be an estimated 1m fax machines in use by year-end – almost treble the number just three years ago.

Fax machines today are becoming faster, cheaper and more sophisticated with some new models even boasting colour transmission.

Equipment sales grew rapidly in the 1980s and although growth in established markets has been slowed by the recession, office sales have been buoyed in recent years by the emergence of plain paper, laser, and ink-jet fax machines which are gradually replacing machines which use thermal paper.

Today there are an estimated 15m-20m fax machines worldwide, a number which is expected to grow to more than 30m by the end of next year. Most are of the Group 3 industry standard and can send an A4 sheet across the world in seconds for the price of a telephone call.

By far the biggest installed base is in the US, but according to Datamonitor's 1992 European Customer Premises Equipment study, annual facsimile machine sales in Europe have grown from 350,000 five years ago to more than 1.7m last year.

These figures hide some other striking trends. In particular the structure of the European market has been changing. Germany has overtaken the UK in terms of sales volume and rapidly-falling prices have begun to put a break on market value growth in recent years.

Furthermore, mature markets such as the UK tend to polarise into two segments; cheap low-end machines manufactured by companies such as Amstrad and a host of Far Eastern suppliers, and expensive, high-quality devices such as plain paper faxes which are often purchased as an upgrade.

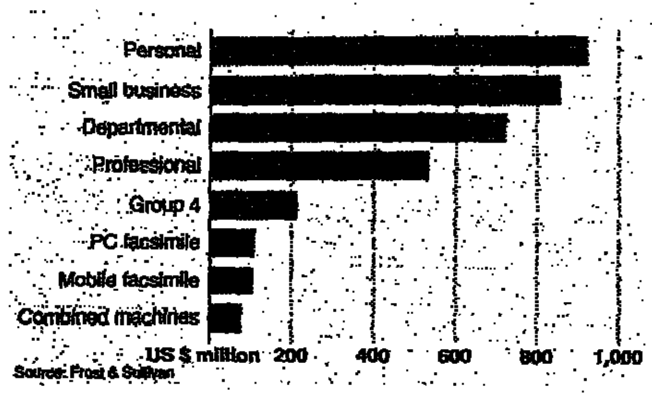
The range of machines available has expanded dramatically. Currently there are more than 200 different types of fax machine on offer from 35 suppliers in the UK market.

Many of these are small, cheap, desktop machines, ideal for the growing personal or small office market. Often they combine the functions of telephone, answering machine, photocopier and fax and can switch between voice and fax automatically therefore requiring only a single telephone line.

But almost 30 per cent of the machines currently on sale in the UK are plain paper fax machines. Although plain paper faxes are generally more expensive than thermal machines, the price difference is narrowing and the shift towards plain paper faxes reflects some of the problems associated with their thermal counterparts.

These include high paper cost, the tendency of text on thermal paper to fade making it unsuitable for filing or storage, the difficulty of writing on thermal fax paper and problems re-sending thermal faxes.

European market for facsimile machines



Source: Frost & Sullivan

Despite the recession, fax-usage is also increasing. The UK market will be worth about £750m this year and is growing by about 30 per cent a year compared to 5 per cent for voice traffic.

A recent Gallup survey conducted for Pitney Bowes Facsimile Systems Division revealed that 31 per cent of the top 500 companies in the UK increased fax usage over the past 12 months despite the recession and 91 per cent believe fax machines helped increase their productivity.

Faster fax transmission speeds cut labour, time and phone costs. Some Group 3 machines already operate at 14.4 kilobits per second (kbps) over the public switched telephone network and can receive or send an A4 page in about six seconds. There are also a few Group 4 faxes which were designed to operate on ISDN (Integrated Services Digital Network) circuits at 64kbps, transmitting an A4 page in three to four seconds.

A laptop computer being used to send an outgoing fax on the recently-launched Xerox LAN/Fax Express 33 system

But although Group 4 faxes have been around since the mid-1980s the introduction of ISDN has been slower than expected. In the meantime, the transmission speed of Group 3 machines has been further enhanced and an alternative 64kbps standard has emerged called either Group 3bis or G364.

To overcome some of the problems identified by fax users, telecommunications groups have seized the opportunity to generate additional income by offering value-added services to customers.

For example in the US American Telephone and Telegraph offers a subscription service called EnhancedFAX which enables customers to broadcast a fax, virtually simultaneously, to as many as 10,000 fax machines worldwide. In the UK, Mercury's managed fax service, called Surefax, provides a particularly sophisticated set of value-added services aimed at multinational customers and launched by the Cable and Wireless group subsidiary last October.

One significant growth area targeted by the Surefax service is PC-generated faxes. It is estimated that about 80 per cent of all faxes begin life as a word-processor file on a PC.

But the document is usually printed out before being loaded into a fax machine for delivery.

Only 2 per cent of fax traffic is currently sent directly from PCs. But plug-in cards, external fax-modems and LAN Fax servers are already providing portable computers, desktop PCs and, most significantly, networked PCs with the power to send and receive faxes.

Prices for PC fax cards are already lower than those for a cheap fax and fax cards sales are expected to grow quickly. Indeed, the distinctions between fax machines and other office equipment are becoming increasingly blurred.

Equipment manufacturers such as Panasonic are already selling fax machines with computer interfaces which allow PCs to control the operation of the fax.

Anything received on the fax can be printed out or saved on the PC.

Other devices such as the JetFax produced by Fujitsu connect to laser printers and enable them to print incoming faxes or send anything generated on-screen as a fax.

More generally, office equipment suppliers say they have recently detected increased interest in "multifunctional digital devices" such as the Xerox 3010 which combines a plain paper fax with a photocopier.

So the fax machine of the future may bear more than a passing resemblance to the LDX.

Not only is it likely to use plain paper, it will probably also combine a range of functions including document scanner, photocopier and printer.

Paul Taylor

■ WORD PROCESSING

Typewriters still in demand

You know when a market is not as buoyant as it once was. The market researchers find more pressing subjects to study. So it is with the electronic typewriter (ET) and dedicated word processor (DWP) markets.

But although the imminent demise of this sector was forecast when the IBM PC was born 11 years ago, ETs and WPs are still in demand in banks, building societies, educational establishments and government departments.

To take just one example, after almost two years of thorough investigation, Barclays Bank has awarded a two-year contract to Triumph Adler UK for the supply of the BSS 300. Ideal for the computerised environment, it offers all the advantages of a typewriter and dedicated word processor, yet comes with MS DOS-compatible disk drives.

Triumph Adler also believes there is still a market for the professional typewriter and has revamped the SE 700 series to provide almost silent operation and easier replacement of typewheels and ribbons.

Mr Allistair Booth, divisional manager of Olivetti UK, says: "There is a core market for ETs and DWPs that cannot be served by the PC and, bearing in mind that profit margins have not been squeezed to the same extent, it has been viable for us to formulate a pretty intensive programme of product development."

As part of that programme

Amstrad also has its eye on the home office market

the company has just launched a Windows version of its top-end secretarial workstation, the ETV4000S, a system that has proved popular among solicitors and architects.

According to Olivetti, there is also a growing market among home users, hence the decision to launch a range of portable ETs and a portable word processor last month.

Amstrad, too, still finds a ready market in offices for the PCW-dedicated word processors, but also has its eye on the home office market with the launch of a portable WP.

Olympia UK finds that the Comfort WP series is still a very popular line. So popular, in fact, that it sees no rush to launch the Competence range which is waiting in the wings. What of Olympia's traditional typewriter ranges? Mr Colwyn Munro, general manager, says: "The trend is towards providing links so they can be connected up to a PC to provide letter quality printing. It is a growing demand from users who do not necessarily want to put everything through the laser printer."

Panasonic has just launched the KX-W1030 (£450) portable word processor offering spelling checker, thesaurus and MS DOS file converter, a 14-line backlit display, 3.5in floppy disk drive and 14cps printer.

Samsung has entered this sector with the SQ-W1000 (£299), a system for personal use which offers the convenience of a typewriter with the advanced functions of a word processor and floppy disk storage.

Smith Corona may have abandoned the PC marketplace, but it intends to stay in the portable word processing market where it has fielded machines that feature industry standard 3.5in disk drives and MS DOS file format compatibility with WordPerfect and Ascii text converters.

Canon claims the Starwriter personal word processor is one of the most successful products it has ever launched. It has launched a fourth, top-of-the-range version which introduces a new concept to this sector of the market: personal publishing. It costs just £699 for an all-in-one compact portable unit complete with screen, floppy disk drive and bubblejet printer.

Brother recently introduced the portable WP-70 (£525) which features advanced text editing with spelling checker and mailmerge as well as a spreadsheet, address book and calendar/scheduler/calculator built-in. It also includes 3.5in floppy disk drive and 15cps daisywheel printer.

Sharp has just launched the sub-£300 PA-1200 portable word processor featuring a high-contrast LCD display, full-function keyboard and inbuilt MS DOS-compatible disk drive which runs a modified version of WordPerfect word processing software.

The continued demand for ETs and DWPs in no way diminishes the need for word processing software for running on standard desktop PCs.

The packages on offer today have little in common with the early 1980s versions. They offer sophisticated editing with spelling checkers and thesauruses and will even check grammar, punctuation, syntax and style, and enable presentation-quality documents to be produced to desktop publishing standards, including graphics and photographs.

But although there is a lot more competition, the core market is still dominated by the few.

Figures from the May 1992 Software Sales Report compiled by market research specialist Context show that WordPerfect commanded 60 per cent of total UK word processing sales in the second quarter, WordStar 31.2 per cent and Microsoft 7.8 per cent.

The total value of software sales in May was more than £30.5m, of which WordPerfect contributed £5.4m.

DOS is likely to retain its faithful followers for a long time yet

While WordPerfect for Windows increased its share of WP software sales by 2.5 per cent to 7 per cent, sales of WordPerfect for DOS rose from 50 per cent to 53 per cent, dispelling the myth that people are only buying Windows software.

Indeed, DOS is likely to retain its faithful followers for a long time yet, so further developments can be expected. An example is WordStar for DOS which has been further developed to include, among other attributes, fax support that allows users to easily create laser-quality faxable files (PCX) from their documents without a laser printer.

The output files can be used by many fax software products and boards for direct transmission to fax machines or other computers.

However, taking a closer look at Windows word processors, a recent report published by market research organisation Romtec indicates that when it comes to market share by units, Microsoft's Word for Windows 2.0 is clear favourite with 58.8 per cent, followed by WordPerfect 5.1 for Windows 23.8 per cent, Ami Pro 2.0 for Windows 13.9 per cent, and WordStar 1.0 for Windows 2 per cent.

Julie Harnett

■ TELECOMMUNICATIONS

Appeal of the cordless office

SOMETHING usually goes wrong when you leave your desk and rely on a secretary or a colleague to take telephone messages. If you get a message at all, the chances are you will be given the wrong number, the wrong name, a confused message, or one that comes a day too late.

If people could take their phones with them about the workplace, the problems would not arise. And the use of mobile or cordless telephones would have the added benefit of saving time and money for the telecommunications manager who currently has to rewire the office each time staff are relocated.

The appeal of a cordless office has not escaped the attention of telecommunications equipment manufacturers such as the UK-based GPT and North American companies Motorola and Northern Telecom who have been developing cordless telephone products for the past two to three years. This involves the development of both cordless telephone handsets and office switches, known as a private automatic branch exchanges (pabx), that can route calls to and from people using the cordless handsets.

Until now, telecommunications managers have been somewhat sceptical of cordless office products. This is largely because they rely on the same technology, called CT2, as the mobile telephone service known as telepoint. Handsets designed for the cordless office are the same as those for telepoint services and can also be used as cordless telephones in the home. CT2 got off to a bad start because the three telepoint services that were launched in the UK in 1989 have all since closed because of their failure to capture subscribers.

Misplaced marketing strategies were partly behind their demise, but another factor was the poor functioning of the equipment. Unless business users can be guaranteed a quality of service that at least matches a wired telephone system, it seems most unlikely that they would opt for a cordless system for use in the office.

But telepoint, and CT2 products generally, are being given a second chance. Whereas the first telepoint operators used proprietary CT2 technology with the result that products for different services were incompatible, all telepoint services in future will be based on a European standard.

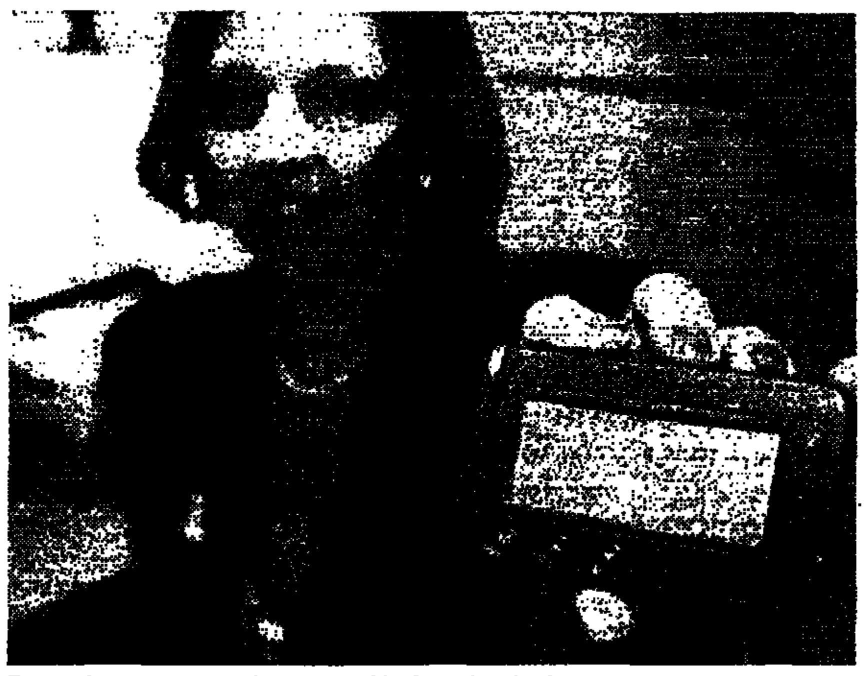
In Singapore and Hong Kong, telepoint services based on this standard have been launched within the past few months and are already proving to be more reliable and popular than the original UK services.

Japanese companies including Sony, Matsushita and Kokusai are keeping an eye on the market

Users have also been sceptical about cordless office products because suppliers have been talking about the systems they are developing since 1989 but have been slow to bring out products.

The first products are, however, now beginning to appear. GPT launched its GPT 2030 cordless system in the UK in April and will bring out more sophisticated products for larger offices at the end of this year and early next year. GPT is hoping that Mercury will become a main distributor for its cordless systems.

Motorola, the US mobile communications equipment manufacturer, is supplying its Silverlink cordless office systems through UK telephone equipment distributor Rocom while the Canadian manufacturer Northern Telecom will be launching office systems in 1992 and 1993. Northern Telecom systems will be distributed by BT which already sells its wired telephone systems.



Fax paging — an innovation provided by Inter-City Paging — enables any pager user to receive a fax from the nearest available machine *Picture: Trevor Humphries*

Japanese companies including Sony, Matsushita and Kokusai are all keeping a close eye on the market with a view to developing their own products.

Initially, cordless office products will be significantly more expensive than conventional office systems and of more limited use. Mel Ziziros, a senior consultant at MZA, a specialist communications consultancy, says that the cordless systems currently on the market are at least double the price of conventional fixed systems. But GPT Mobile Systems marketing manager Bichard Field, says that GPT is only now ramping up to volume, and as costs come down, GPT will re-evaluate its pricing.

In this respect, the success of cordless office products is tied with the fortunes of telepoint. If telepoint is successful, handset prices for both telepoint and cordless office systems will fall as manufacturers derive economies of scale.

Nevertheless, GPT believes that users will be prepared to pay a premium for cordless products because of their advantages over wired systems. This view is shared by Ziziros who reckons: "Once the price differential comes down to 25 per cent, it will be an entirely different ball game."

For large offices, manufacturers are developing systems using another European standard

The GPT 2030 system is only suitable for a few users because the system can connect only three exchange lines and manage, therefore, three simultaneous conversations.

More advanced CT2 cordless office products will support as many as 20 or 30 simultaneous conversations, but manufacturers recognise that it will not be possible to develop bigger systems using CT2 technology.

This means that CT2 cordless office systems will only be suited to small offices, or for a certain category of office worker such as maintenance staff in bigger companies who tend to spend most of their day moving between different departments or floors.

For large offices, manufacturers are developing systems using another European standard known as the digital European cordless telephone (Dect) system.

Manufacturers such as Sweden's Ericsson or Siemens of Germany that have backed the Dect standard believe that they can develop cordless telephone systems for whole office blocks, and that eventually there will be no need to wire offices.

But the European standard for Dect was only approved this year and the first demonstrations of Dect products will not take place until 1993. Tony Warwick, Motorola's director of cordless systems, believes it will be a further two years until Dect products are launched commercially.

There are different views on whether cordless office systems will ultimately mean that the wiring of offices becomes a thing of the past.

Ziziros is confident that "most systems will ultimately be cordless." But users are less clear about the future.

John Skarrat, director of the UK Telecommunications Users Foundation, says that "radio is always going to have problems with interference" and that users will remain convinced that it is better to stick to conventional cable.

Dick Cawdell, director of telecommunications at the Grand Metropolitan leisure group, thinks that cordless office products are interesting because they will remove the need for rewiring.

This causes particular problems for Grand Metropolitan whose head office is in a listed building. Nevertheless, Cawdell recognises that the risk of replacing wired systems with radio means that "wired offices are not going to go away."

Mark Newman

■ VOICE SYSTEMS

Getting the message

FIVE times as many people hang up when they phone a friend and get an answering machine, than when a business call is answered by a machine, according to a recent survey carried out by Systems Reliability, a UK telecoms company.

Despite their antipathy to answering machines, more than two thirds of the sample said they owned one. The latest models offer solid-state recording, which means callers' messages are recorded directly onto a chip instead of a tape. There are no moving parts to break down and there is no delay (for the owner's greeting to be rewound) after a caller has left a message.

However, solid-state machines are not cheap. Audioline sells one for £79.99. An equivalent machine without solid state costs £20 less.

At the top of the range, BT's Falcon II machine includes a handset, hands-free talking and solid-state outgoing message for £170. BT also sells some combined telephone and answering machines with two-way record, which enable conversations to be recorded. But the most basic machine from UK electrical retailer Dixons costs less than £30, and it is not unusual to find built-in answering machines on personal facsimile machines and cordless phones.

Answering machines are still fairly rare in the European business environment

Although 75 per cent of calls fail to reach their target, answering machines are still fairly rare in the European business environment. This is also true of voice messaging, the corporate equivalent.

At their simplest, voice mail systems allow callers to leave messages. By dialing the appropriate voice mailbox number (and a code), users can play them back. But most voice messaging systems can do much more. For example, once a caller has left a message, it can be forwarded from the user to a colleague, with instructions attached such as: "Please sort out this customer's problem and get back to me."

Voice messaging systems have taken off in the US, partly because the touch-tone phones (needed to operate them) are in wider use. But acceptance has been slow in the UK and continental Europe.

The involvement of the UK cellular phone operators has started to change the picture. Cellnet and Vodafone, the two main UK service providers have both launched 24-hour voice messaging services. These record all messages left when the mobile phone is switched off and then alert the user when the phone is back on. As well as being a big moneyspinner, they have helped to raise the profile of voice mail.

As a result, research company BIS Mackintosh will shortly be revising upwards its public voice messaging forecasts.

It originally forecast UK network revenues of $121.98m for public messaging services this year and $779.91m in 1996. Apart from the cellular operators, leading players in the public voice mail market include Mercury and BT. BT also has a voice mail service for residential users on trial.

In-house (or premises-based) voice mail systems offer similar features to public services. But they involve the one-off purchase of equipment, costing in the region of £10,000 for a 100 users. Public services, on the other hand, are pay-as-you-go.

Most of the premises-based voice mail-voice processing systems available in Europe are based on North American products.

These were pioneered by companies such as Octel (sold by Hewlett Packard in the UK), AT&T, VMX (sold by Mercury in the UK), Northern Telecom and Centigram.

There are three main types of voice system: voice messaging, audiotex and voice processing. Audiotex is used for 0898 recorded information, such as racing results, weather information or airline flight times. Some systems can insert live information, such as the results of the latest racing fixture, into recorded information.

Voice processing (or interactive voice response) is the type of technology used in telephone-based home banking systems. It might, for example, prompt the user to "press one to order a cheque book, press two for your bank balance". In essence, these systems link a voice interface to a computer database. They allow customers to input and retrieve information using a touch-tone phone.

The more advanced systems use speech recognition. Because of limitations in the technology, many use voice synthesis to play back the customer's message for checking. One system, sold by US-based Syntellect, can recognise different languages.

There is an increasing amount of overlap between the different voice technologies.

One system, sold by US-based Syntellect, can recognise different languages

For example, parts of British Rail are using Systems Reliability's Orbi-Link Network for both voice mail (to notify engineers of faults) and voice processing (to order parts and compile statistics on repair times).

The system can also be integrated with local area network-based electronic mail, allowing users to add voice notes to text messages.

However, the main driver in the premises-based voice systems market is integration with fax, according to Amanda Jobbins of BIS Mackintosh.

This enables a customer to phone a supplier, select a product and provide a fax number to which a price-list can be sent automatically. And all without human intervention on the part of the supplier.

The day might come when customers hang up if they get a human on the line.

Jola Shillingford

■ DOCUMENT MANAGEMENT

How to move a mountain

IN a world in which 92m original paper documents are produced every year and corporate files double every 3½ years, document image processing (DIP) would appear to be the answer to every office manager's dream of reducing the mountain of paper in circulation.

For it is possible to store between 20,000 and 30,000 documents on one optical disk, and recall any of them to a VDU screen within seconds.

The potential of systems leads market research company BIS Strategic Decisions to forecast a compound annual growth rate of 62 per cent for DIP across Europe by 1995.

Leading companies in the market are bullish about the future, even though the competition gets stronger by the day.

Contenders now include with Agfa, Bell & Howell, Canon, DEC, IBM, FileNet, IDL, Kodak, NCR, *Olivetti, Philips*, Plexus Computers, ROCC Computers, Tandem, Unisys, Wang and Xionics.

The market could soon get a big boost as a result of the little-publicised European Data Protection Draft Directive that proposes to bring non-electronic media within the scope of the law.

A DIP is the obvious solution to maintaining security for all documentation, since access by

The solution being implemented is an industry standard PC-based Workflo Business System

unauthorised personnel could be more easily prevented via the use of standard computer security procedures.

All paper documents that have to be kept for legal reasons could then be put under padlock and key.

However, the advent of optical disk-based DIP itself does not make the paper-free, or even the paper-less, information secure if implemented in *isolation*.

In the real world, DIP is merely a component part of the corporate-wide document and information processing and *management* requirements.

There are several recent developments now capable of supporting such a strategy.

Mr Mike Mansell, head of Kodak Office Imaging points out: "During the 1990s, factory productivity increased by 75 per cent while productivity in the office increased by only 3 per cent. Why? Because office technology concentrated on automating tasks rather than whole processes.

"The office manager, systems manager and IT manager may all automate different aspects of the office process in isolation, only to find they don't fit together."

Kodak's answer is the Image-Link strategy which aims to merge micrographics with digital imaging technologies; integrate imaging systems with information systems; and, ultimately, utilise imaging to improve productivity.

Systems currently available allow a document image to be retrieved to a VDU screen from optical disk or microfilm, distributed to other terminals or sent electronically to be faxed, printed or copied, then re-filed, all at the touch of a button.

PPP Private Patient's Plan, however, is anticipating getting rid of microfiche in favour of optical technology supplied by FileNet.

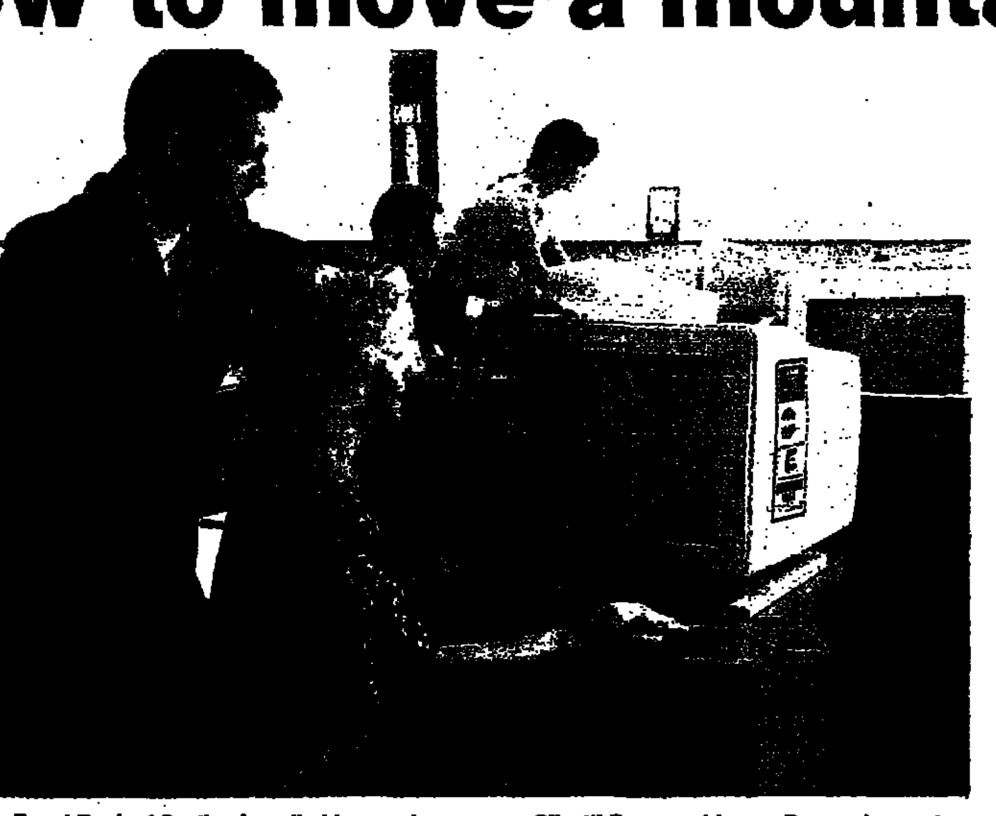
The solution being implemented is an industry standard PC-based Workflo Business *System that allows an organi*sation to handle very high volume paper applications that are transaction-oriented and business critical; to manage and control the flow of information through the business process across multiple work groups and departments; and to integrate image information with other PC tools such as spreadsheets and word processing applications.

The savings that can accrue from introducing new technology are significant.

Using Interleaf technology, Saab Aircraft has saved £1m a year and cut turnround time on producing documentation by 50 per cent.

Moss Systems expects to save more than £120,000 in printing costs by implementing an Interleaf document management solution.

In the general business document environment, the International Standards Organisation's (ISO) Office Document Architecture (ODA) support is important for document interchange across different systems.



Royal Bank of Scotland cardholder services use an Olivetti Document Image Processing system

In the technical document field, SMGL (Standard Generalised Mark-up Language) *is fast* becoming the *de facto* standard for interchange of technical documents. For this reason, Interleaf has added this option to Interleaf 5.

Mr Mike Willcocks, managing director of Interleaf UK, says: "SMGL is important in that it will allow business to freely share information held by different document publishing systems across a variety of platforms and applications from different manufacturers.

"In effect, information becomes neutral and that is critical requirement to the future success of EDM systems."

The management of Expo '92 *were luckier than most in that* they could start from scratch to build an enterprise-wide document strategy, at the heart of which is the Rank Xerox EDM software solution, GlobalView, installed on a network server on the 20Km Ethernet LAN, the longest LAN in the world outside the Pentagon.

It is enabling some 600 users to produce documents on any word processing or desktop publishing workstation and electronically store, print, fax, *copy or distribute them via* electronic mail, with instantaneous person-to-person document delivery ensuring ultra efficiency and high productivity.

By the time Expo had opened, staff had produced and distributed some 260m impres*sions; a figure expected to have* doubled by the time Expo closes on 20 October 1992.

Electronic document management (EDM) incorporates what is often called "workflow" management; a combination of techniques and technology to manage the entire document process at every stage in a document's life cycle, be it in paper, image or editable electronic form; created in-house or received from an external source; intended for internal consumption by individuals or entire departments or external consumption by customers or business associates; and be it active or archival.

Targetting this market is European Information Technology (EIT) with a combination of three products that provide an integrated approach to "multimedia workflow management" which supports *every activity except video*: store, edit, despatch verbal, textual and graphical information within and between offices.

EIT Scan-Link is an entry-level DIP system providing users with a complete electronic archiving and retrieval system for paper-based documents.

*Office-Link is a store and for*ward message switch which connects network users to telex, fax, electronic mail, LANs, WANs and X25 net*works*.

And VoiceLink is a voice mail system which connects the PBX to a PC LAN. All can work in a Windows environment and can be integrated with management applications tools such as Lotus Notes.

The key to the success of any system is the ability not only to store documents rapidly and easily but to be able to retrieve them just as easily and quickly.

For example, how long would *it take you to count* the number of times the words "at", "the" and "be" appeared in 55,000 documents? Days? Weeks? Months?

The electronic *Filing Cabinet* (EFC) from Metrologie International would take just 17 seconds.

The secret is "fuzzy search," a content-based *retrieval* method and an advanced neural network artificial intelligence (AI) and adaptive pat-

The first product to be launched by SoftCore is ArchIS File, an Apple Macintosh-based system priced at £10,000

tern recognition technology from Excalibur Technologies which enables document contents to be automatically indexed as it is entered.

Utilising open systems network protocols, any image or *file can be delivered to any* other system on the network, with document security provided using *DEC's Ultrix file* privileges and procedures for protected read and write access to all files.

With prices starting at £29,950, such systems are not even out of the reach of smaller companies.

Is the investment worth it?

Mr Geoff Bedser, senior consultant at CMG who specialises in DIP feasibility studies and systems evaluations, says that the average payback is between 18 months and three years providing the right system is selected and properly implemented in the first place.

But at BP Chemicals, Mr Alan Randle, manager IT systems, estimates that the payback on the Trimco DIP will be much more rapid.

"When we compared the costs of storage and handling and the delay in copying and transporting paper records *with the ease of holding them* on optical disks and transmitting them electronically, we found we could achieve a six-month *payback*."

One of the key indicators to the future of the market must be the announcement that SA SoftCore NA, the first company in Europe to receive funding from Advent International under Apple Computer's European Venture Capital Programme, has set up a UK subsidiary.

The first product to be launched by SoftCore is ArchIS File, an Apple Macintosh-based system priced at £10,000, which is less than a quarter the price *of the original proprietary* system.

It includes scanner, optical disk drive and all the necessary software to import, store, retrieve and output any type of document such as text, computer files, images (colour or black and white), slides, X-rays and digitised video.

Julie Harnett

■ PHOTOCOPIERS

Fiercely competitive market

PHOTOCOPYING may be one of the oldest office technologies, but it continues to be one of the most fiercely competi*tive markets – and one of the* most contentious.

The past year has witnessed the Monopolies and Mergers Commission (MMC) investigation into toner supply; the Office of Fair Trading inquiry into dodgy dealer copier contracts; and the European Commission debating, yet again, the question of levies on imported Japanese copiers.

All the while sales were being squeezed. Market research company Dataquest has yet to finalise its market figures for 1991 but, according *to Jacqueline Hendriks, copiers* research analyst, 1991 UK copier placements decreased by 11 per cent compared with 1990 to 144,500 units.

The three main reasons for the decline were the impact of the recession, which has restricted user spending; the shift in copier placements from low to mid- and high-range machines; and the increased demand for less expensive reconditioned/refurbished machines.

In terms of market share by unit placements, the top three suppliers last year were Canon with 30 per cent, Rank Xerox with 18 per cent and Sharp with 9 per cent. Toshiba stands in fourth position followed by Mita in fifth.

Canon did well because of its strength in the colour market, while Rank Xerox did well *because of a significant* increase in 91+cpm (copies per minute) placements and because it receives revenues from its service operation as well (a fact which the MMC found upset some of their dealers), the report states.

Although Sharp has pulled back from its involvement in the colour copier market until 1993, the company looks set to do better in future following its entry into the higher volume market. According to Dataquest, Konica and Minolta are showing good form in Segment 3 (31-44 cpm). But, as the MMC concluded during its investigation, the most appropriate market share measure of a copier *company's current perfor*mance is placements weighted by recommended monthly copy volume.

That meant, in 1989, that the Rank Xerox share was 31 per cent (down from 90 per cent in the heady pre-Japanese days of the mid-1970s). Canon had 7 per cent, Kodak 7 per cent, Toshiba 6 per cent and Sharp 5 per cent. *The MMC put the* total UK market value at £1bn.

Indal Business Research, which carried out the industry survey for the MMC, puts the UK *installed base at 717,000* copiers, with 179,000 machines placements in 1989, nearly two thirds of which were replacement machines, of which some 80 per cent were imported. There were 22 main suppliers selling 300 models between them and some 2,000 dealers; all combining to ensure that no monopoly position in respect of machines, consumables, parts and service operated against the public interest.

For Europe as a whole, BIS Strategic Decisions estimates that the monochrome plain paper copier base will grow to 6.73m in 1995 units from the 5.65m recorded for 1990.

The company forecasts a significant increase in the installed base of colour copiers in Europe from 34,260 units in 1990 to 117,600 in 1995, with electrophotographic technologies taking the lion's share of 28,580 and 99,300 units respectively.

Dataquest claims that almost 15,000 units were placed in Europe during 1991, of which one fifth were in the UK. But of all the new full-colour copiers launched over the past year, it says the Canon CLC10

The Kodak ColorEdge copier can output colour data and image files from computer workstations

bubblejet, a copier, printer and scanner, *is seen as the key to* market take-off.

It would appear that whatever guise the copier is under, its usefulness will not diminish for some years yet. Rank Xerox points out that Europe creates 4.7bn documents every day and the number of colour reprographic impressions created in Europe each year is expected to rise by 35 per cent from 1.2bn now to 4bn by 1996.

Investment, continues, too. Mr Paul Allaire, chairman and chief executive of Xerox Corpo*ration, claims that despite trad*ing under some of the weakest economic conditions for a

The product development cycle has been shortened by as much as 50 per cent

decade, Rank Xerox is growing in its target markets and continuing to gain market share lost to the Japanese in the early 1980s. To keep the *momentum going*, a Ecu235m investment programme is under way, Ecu64m of which is being spent redeveloping the Systems Centre at Welwyn *Garden City in Hertfordshire*.

Over the past few years, Rank Xerox has reduced its number of suppliers from 4,500 to 350 and, says Mr Allaire, increased quality more than 100 times. The product development cycle has been shortened by as much as 50 per cent and product costs have been cut by 30 per cent, despite inflation.

With the market moving upwards in the high volume sector, it is only to be expected that there would be competition from the Far East.

However, according to Hendriks, the high volume market (ie Segment 5-6, 70cpm and over), will continue to be dominated by Kodak, Océ and Rank Xerox: "The Japanese are developing higher-volume products, but they do not represent real competition because they cannot sustain the copy volumes".

It will not stop the Japanese making inroads, and Ricoh and Konica are just two gunning for the high-volume sector.

Nevertheless, the advent of the small, integrated systems copier is an interesting development because it makes on-demand document reproduction a reality for every business, with *completed multi*page document sets produced and ready for despatch in a matter of minutes, without the need for lengthy user training.

With prices typically around the £6,000-12,000 mark but starting at £1,650 for a low-volume machine, automatic on-line options include multiple copy paper formats with auto switching from one paper tray to another; cover and divider sheet insertion; and collating, folding, punching, stapling and heat binding.

Because of the potential in the small- to medium-size business or department that has, until now, had to rely on external print shops, the competi*tion is getting fierce, with* main contenders in this sector of the market now including Agfa, Canon, Konica, Lanier, Minolta, Océ, Olympia, Panasonic, Ricoh, Sharp and Toshiba.

Colour copiers tend to divide into two categories: "business colour" units which normally means they are affordable and easy to use and so are suitable for general office uses, and "professional quality colour" machines for applications where true colour rendering *and perfect registration are* more important than cost.

Every manufacturer offers refinements which they hope will make their machines stand out from the crowd.

Another main trend in the copier market is towards PC-Mac computer integration to provide a scanning and PostScript printing facility with options including *slide projec*tors to make copies from 35 mm slides.

An important development in this sector is the Electronics for Imaging (EFI) Fiery Controller with its PostScript capabilities that transforms a digital copier into a multifunction device capable of copying, scanning and printing full-colour images director from a PC or Macintosh computer.

The very first UK installation linked to a ColorEdge 1550 has just been completed at law firm Denton Hall. Together with the continuous tone colour printer, it will enable the firm to create information brochures and customer newslet*ters on a computer and repro*duce these on demand in-house. They will be able to produce an A4 colour proof in 30 seconds, or an A3 in one minute, at a cost of 35p against the £30 the printer used to charge for a chromalin.

But no matter how sophisticated copier and photocopier technology becomes, it seems that corporate customers are more concerned with reliability, quality and value for money than how many bells and whistles it has got, according to a survey carried out by Kodak Office Imaging. Other priorities include fast response, availability of parts, ease of telephone contact, knowledge *of the customer's business and* good old fashioned courtesy and helpfulness.

Julie Harnett

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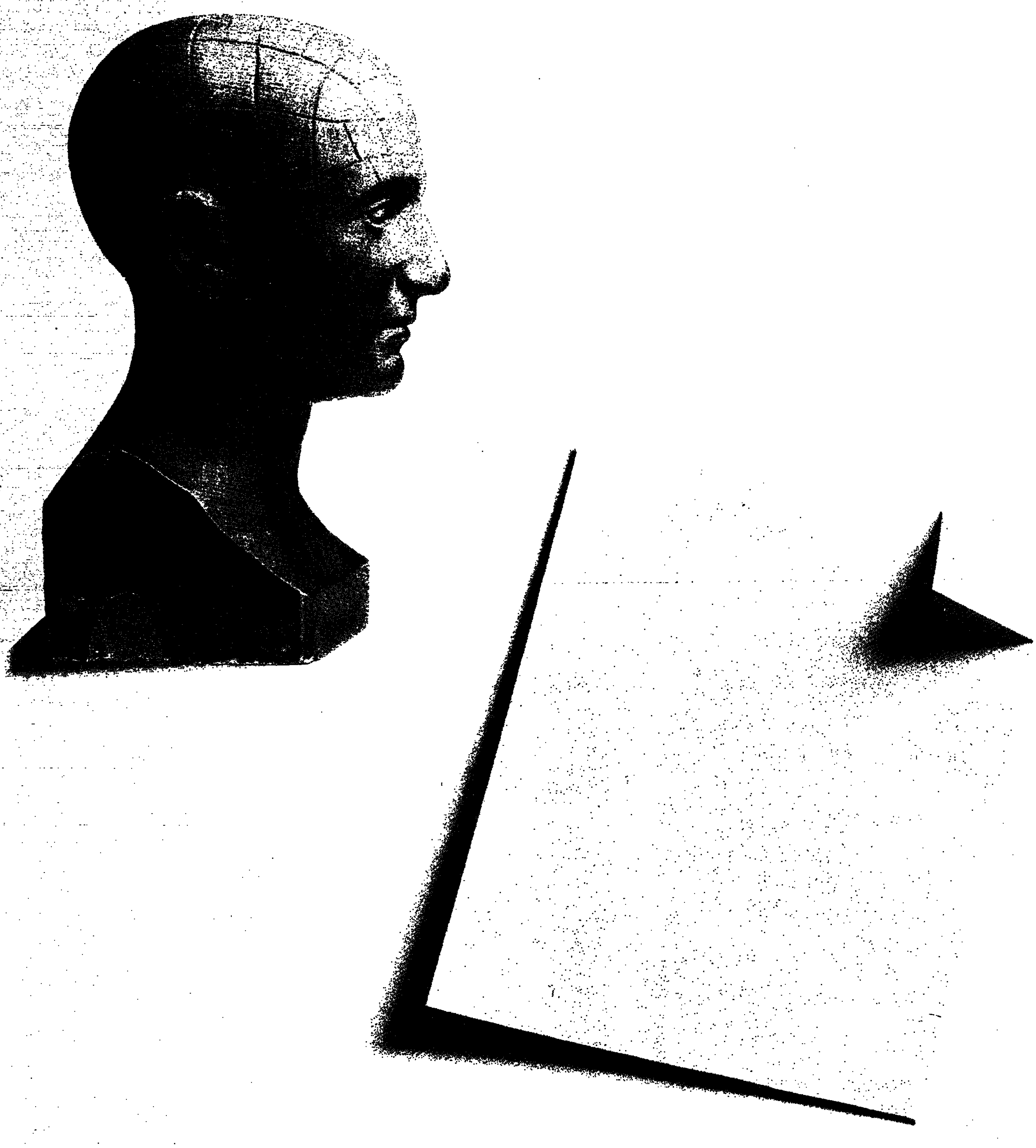
RANK XEROX

For the ideas you're working on.

For the ones you're ready to share.



You've got a good idea in mind. But a good idea does no one any good if you keep it to yourself. So you put it in writing and create a document. You see what your peers think. You put your best minds on it.

The fact is, there's nothing like the document to make your ideas accessible to everyone you work with. So they can participate and spark new thoughts. Because in any business, the document is truly the place where minds meet and ideas develop.

One idea we've been developing for over 40 years is to give people more efficient ways to work with documents. From innovative copiers and faxes, to scanners, workstations and printers, Xerox document machines make it easier for people to share ideas and work together better.

What's more, we've learned that by taking a fresh look at all the ways all the people in your business work with documents, we can often help you make measurable gains in office productivity.

That simple idea is at the heart of our business. And it's one idea that's always worth sharing, because it can make a big difference at the heart of your business.

Rank Xerox
The Document Company

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TECHNOLOGY IN THE OFFICE 8

■ FACILITIES MANAGEMENT

A more radical approach

Recession has widened the scope of facilities management. Today, more and more companies are concentrating on their core businesses and placing other services in the hands of outside contractors.

No longer is it just a question of whether to contract out catering, security and office cleaning. Big companies are starting to hand over responsibility for everything from accounting to personal computers to the corporate network.

There is nothing new about contracting out projects and services to external companies. But recently many companies have started to take a more radical approach, often with assets and or staff being transferred to the service company. This approach (often referred to as outsourcing) is being applied to information technology (IT) and other functions, notably finance. For example, BP Exploration (Europe) recently contracted out its accounting function.

In the IT area, facilities management-outsourcing is growing at a compound annual rate of 18.5 per cent in Europe, according to Mr Morgan David of the International Data Corporation. IDC predicts that the European market will be worth $4.9bn by 1996. Two associated benefits of facilities management (FM) are that it can cut costs and increase business focus. J P Morgan, the US bank, and US razor company Gillette, have both opted for a new but fast-growing branch of facilities management – managed networks. They have handed over the management of their international data networks to BT in a move to cut the costs of their existing operations and streamline.

J P Morgan's five-year agreement, worth about $20m, is expected to save the company $12.5m in operating expenses. Mr Rick Manser, Gillette's communications manager, says that opting for a managed network "gives Gillette the ability to continue to focus on our consumer product lines rather than expending time, money and effort on international data networking."

FM is not only attractive to commercial companies. Public sector organisations such as local authorities and government departments are also turning to FM. For example, Berkshire County Council has contracted out its printing to Kodak Facilities Management and cut costs by about 15 per cent.

Hertfordshire County Council, which saved money by contracting out its computers and telecoms services last year, has just decided to contract out the management and support of its PCs and local area networks. The £250,000-a-year PC FM deal includes the transfer of six PC support staff from Hertfordshire County Council to UK company ITnet. They join the 45 staff transferred under the earlier £2m-a-year FM deal.

Cost-savings are not the only benefits of opting for FM. Some companies contract out services because they are not happy with the quality of in-house equivalents, or because they want greater flexibility.

"Many opt for FM while they are transferring from one technology to another," says Mr Peter Falconer, associate director of computer services company Hoskyns.

For example, UK retailer Mothercare contracted out its computers to Hoskyns, while it was transferring from IBM mainframes to smaller IBM systems (AS/400s). It needed to keep its old systems running while it was developing software to run on the new machines.

But despite the benefits of FM, there are a number of risks:

● Loss of ad hoc services: Judith Wainwright, a director of London-based management consultants Pagoda, says: "Most in-house functions provide a range of valuable services to the business informally. For example, working late to help solve business problems. Many of these may not be covered by an outsourcing contract and are effectively withdrawn causing dissatisfaction with service."

● High costs for extras: Although competitive tendering is likely to keep down the costs of the contract, suppliers may use changing requirements as a way of improving on margins. Extras not specified in the contract (such as extra computer power) may work out very expensive.

● Loss of in-house expertise: Once services have been contracted out, it may be difficult to bring them back in-house. This is especially true of computer services.

Many of the computer FM contracts in place have not run their full course, so there are few documented examples of companies trying to staff and run a computer centre again.

● Loss of confidentiality: One of the most recent public sector organisations to consider computer FM is the UK's Inland Revenue. It is talking to a number of suppliers about the possibility of contracting out the computer processing of tax returns.

However, critics of the proposal argue that information about taxpayers is too sensitive to be handled by private-sector staff.

And some commercial companies resist FM (or restrict it to certain areas) because they worry that confidential data will get into the wrong hands.

FM suppliers counter that their procedures are often stricter than those of their clients.

● Loss of competitive advantage: Before contracting out an activity, companies should ask themselves how it affects their competitive strength in their main markets. US researchers Frost & Sullivan say those activities which are unique to the company or based on company-specific skills provide competitive advantage and should be kept in-house. But if an activity is mature (such as printing or staff catering), outside suppliers can probably manage it just as well and at lower cost.

● Limited redress for poor service: Unless the level of service required by the user company is spelt out in the contract, it may be difficult to get redress for poor performance. Or the redress may be insufficient if a crucial business function is affected.

One reason for outsourcing is a belief in market forces and healthy competition. But Wainwright warns: "Some companies take it to extremes and encourage individual managers to replace internal work with external contracts at will. This can lead to fragmentation, with many external suppliers providing overlapping services, and failure to obtain the best deal for the whole company."

Joia Shillingford

Make way for the virtual office

SOME companies are using the opportunity of contracting out services to reduce what is offered, says Mr Keith Lawson, design director of the Business Design Group.

Mr Lawson, who helps companies plan and run their office environments, says: "Companies who contract-out space planning to us are starting to talk about the virtual office and ask whether everyone needs their own desk.

"The answer is 'No.' People who are out of the office a lot don't need to come back to the same workspace as long as they have access to office services.

"They will live out of two briefcases – one containing work and the other containing the things which personalise their desk, such as family photos."

Dr Frank Duffy, chairman of DEGW, an architectural practice which specialises in designing the working environment, says: "With the proliferation of information technology, the penny has dropped that you can intensify space use. Many of our clients including IBM (UK), PA Consulting and Arthur Andersen, have started to apply the concept of time-sharing to office space.

"With imagination, one workspace, costing over £5,000 a year can be used by three or even five people."

The Responsible Workplace, a multi-client study produced by DEGW and the Building Research Establishment, will be published by Butterworths in February 1993.

Joia Shillingford

■ ERGONOMICS

Work-related illnesses

The directive even applies to the humidity, lighting, radiation and levels of noise

OFFICE staff have not traditionally expected to suffer serious, disabling injuries at work in the way that construction workers often have.

Yet there is now overwhelming evidence that white-collar workers face dangers when they sit at their desks. These dangers can have serious implications for incautious employers who may face a flood of damages claims or productivity setbacks as a result of high levels of absence.

A machine operator at Vauxhall Motors in Luton who contracted repetitive strain injury (RSI) and had to give up her job was awarded a record £59,617 in damages and loss of earnings by a judge at Luton County Court earlier this year.

A recent case involving BT keyboard operators granted damages of £6,000 but a loss of earnings award has not yet been decided. In another case, GMB general union received £67,000 between them for loss of earnings.

In 1989-90 more than 750,000 people took sickness absence because of work-related illness, and some 8,000 lives and 27m working days in Europe are lost each year due to work-related accidents and ill health, according to the Health and Safety Executive. The HSE believes the problem is growing.

The visual display unit has invaded desk space and become virtually ubiquitous in offices in the developed world. However, the revolution in equipment was not matched with a revolution in working practices or office furniture and it is small wonder that office workers have found their new equipment created new problems.

The most well known and the biggest of the new maladies is musculo-skeletal injury, in particular Repetitive Strain Injury (RSI), the painful, sometimes disabling disorder that affects necks, shoulders, arms and hands.

In the US, RSI now accounts for more than half of all reported work-related injuries. In the UK, it is a growing problem among white-collar workers affecting professionals, secretarial staff, computer users and high-volume data handlers.

RSI refers to a variety of complaints. Sufferers report symptoms ranging from mild discomfort to severe, disabling pain which affects their personal as well as their professional lives.

Some disorders, such as tenosynovitis and capsulitis are well understood by the growing army of experts. Others are less easy to diagnose and tend to be lumped together under vague headings such as damaged nerve tissue. None is easy to cure.

But RSI is avoidable and employers who have made concerted efforts to reorganise their office environments have seen dramatic decreases in its incidence.

Employers who have ignored the risks to their staff will soon have an additional reason to keep those risks to a minimum. By the end of this year the UK must have domestic legislation which meets the requirements of a European Community directive.

The legislation is highly specific. It refers to "display screen equipment" but excludes computer systems open to the public and automatic teller machines in banks and building societies, as well as calculators, typewriters and lap-top users not typically used for long periods.

The directive applies to the workstation as a whole, covering chairs, desks, modems and printers. These references and a catch-all heading of the "immediate work environment" means employers will have to think carefully about the implications of all office environment.

It is not just the physical pieces of equipment which employers must ensure comply with the directive; humidity, lighting, radiation and noise are all addressed.

Employers will be obliged to conduct workplace evaluations to check they do not present health risks to their staff. The directive specifies that screen workers must be properly trained, allowed free eye testing and any necessary glasses and that screen work must be interspersed with periods of activity or breaks.

RSI is not the only risk to white-collar workers. There is the potentially fatal building-related illness which covers legionnaires disease as well as other dangerous bacteria which lurk in convenient recesses provided by modern air conditioning systems and elsewhere.

Then there is sick building syndrome, less dangerous but more difficult to tackle because it is hard to diagnose and no one really knows for sure what causes it.

It can affect staff in ways which even they do not recognise immediately but which can have a serious affect on both their health and the health of their businesses. The World Health Organisation estimates the syndrome affects a third of European and North American offices. The House of Commons Environment Committee put the annual cost to the UK economy alone as between £330m and more than £650m a year in absenteeism.

A wide variety of symptoms range from sore throats, dry eyes (some staff have been unable to wear contact lenses), headaches and coughs through exacerbated menstrual disorders to lethargy, dizziness and depression.

Sufferers typically report that their symptoms only show up when they are at work and disappear as soon as they leave. Their close friends and families appear to be immune.

The Health and Safety Executive takes a gloomy view. It recently concluded that 20 years of research had failed to uncover any definite cure or cause for the condition. The HSE is funding research at London University which is comparing the sickness and absence data of more than 10,000 office-based civil servants with measurements of environmental factors and building maintenance work.

Evidence suggests that stress at work is also an important cause of sickness absence. The HSE believes occupational stress could have an impact on physical health.

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